

OFFICIAL STATEMENT DATED APRIL 28, 2020

NEW ISSUE - BOOK ENTRY ONLY

In the opinion of McGuire Woods LLP, Bond Counsel, based on existing law and subject to conditions described in the section herein entitled "TAX MATTERS," interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for Federal income tax purposes and (ii) is not treated as a specific item of tax preference for purposes of the Federal alternative minimum tax. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon. See the information contained herein under the caption "TAX MATTERS."

**St. Mary's County, Maryland
General Obligation Bonds**

\$30,000,000

**Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2020**

Dated: Date of Delivery

Due: as shown on inside front cover

Bond Ratings:	Fitch Ratings: AA+ Moody's Investors Service: Aa1 S&P Global Ratings: AA+
Redemption:	Bonds maturing on or after May 1, 2031 are redeemable in whole or in part, on or after May 1, 2030 – Page 3
Security:	General Obligations of Commissioners of St. Mary's County, Maryland
Purpose:	The proceeds of the Bonds are being used to finance capital projects of the County – Page 2
Interest Payment Dates:	May 1 and November 1, beginning November 1, 2020
Closing/Settlement:	On or about May 12, 2020
Denominations:	\$5,000
Book-Entry Only Form:	The Depository Trust Company, New York, NY
Registrar/Paying Agent:	Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY
Bond Counsel:	McGuireWoods LLP, Baltimore, MD
Financial Advisor:	Wye River Group, Incorporated, Annapolis, MD
Issuer Contact:	St. Mary's County Chief Financial Officer: (301) 475-4200, ext. *1200

FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS, SEE INSIDE FRONT COVER

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of McGuireWoods LLP, Baltimore, MD, Bond Counsel. The Bonds will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about May 12, 2020.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS AND CUSIPS

\$30,000,000 Consolidated Public Improvement Bonds, Series 2020

Maturing May 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP	Maturing May 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP
2021	\$1,020,000	5.000%	0.980%	792554 ZB 6	2031	\$1,570,000	5.000%	1.600% **	792554 ZM 2
2022	1,040,000	5.000%	1.020%	792554 ZC 4	2032	1,645,000	2.000%	2.000%	792554 ZN 0
2023	1,095,000	5.000%	1.070%	792554 ZD 2	2033	1,680,000	2.000%	2.050%	792554 ZP 5
2024	1,145,000	5.000%	1.100%	792554 ZE 0	2034	1,715,000	2.000%	2.100%	792554 ZQ 3
2025	1,205,000	2.000%	1.160%	792554 ZF 7	2035	1,745,000	2.125%	2.200%	792554 ZR 1
2026	1,230,000	5.000%	1.200%	792554 ZG 5	2036	1,785,000	2.250%	2.300%	792554 ZS 9
2027	1,290,000	5.000%	1.300%	792554 ZH 3	2037	1,825,000	2.375%	2.400%	792554 ZT 7
2028	1,355,000	5.000%	1.400%	792554 ZJ 9	2038	1,870,000	2.375%	2.450%	792554 ZU 4
2029	1,420,000	5.000%	1.500%	792554 ZK 6	2039	1,910,000	2.500%	2.500%	792554 ZV 2
2030	1,495,000	5.000%	1.550%	792554 ZL 4	2040	1,960,000	2.500%	2.550%	792554 ZW 0

* The rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on April 28, 2020 by Robert W. Baird & Co. Incorporated. The yields or prices shown above were furnished by the successful bidder. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidder and not from the County.

** Yield to first call.

CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association (“ABA”) by S&P Global Market Intelligence. “CUSIP” is a registered trademark of the ABA. CUSIP numbers are included solely for the convenience of the holders of the Bonds. Neither the County nor the successful bidder takes any responsibility for the accuracy of CUSIP information. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds in certain circumstances. The County has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth herein. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Certain Elected Officials

Board of County Commissioners

James R. Guy – President
Eric Colvin – Commissioner, District 1
Michael L. Hewitt – Commissioner, District 2
Todd B. Morgan – Commissioner, District 4
John E. O'Connor – Commissioner, District 3

Christine L. Kelly – County Treasurer

Certain Appointed County Officials

Rebecca B. Bridgett, Ed.D. – County Administrator
L. Jeannett Cudmore, C.P.A. – Chief Financial Officer
David A. Weiskopf, J.D. – County Attorney
John Deatrack, P.E., AICP, LEED BD+C – Director of Public Works and Transportation
Chris Kaselemis, AICP – Director of Economic Development

BOND COUNSEL

McGuireWoods LLP
Baltimore, Maryland

AUDITOR

SB & Company, LLC
Owings Mills, Maryland

FINANCIAL ADVISOR

Wye River Group, Incorporated
Annapolis, Maryland

BOND REGISTRAR AND PAYING AGENT

Manufacturers and Traders Trust Company
Baltimore, Maryland / Buffalo, New York

No dealer, broker, sales representative or other person has been authorized by Commissioners of St. Mary’s County (the “County”), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

SUMMARY OF OFFERING

Issuer

Commissioners of St. Mary's County (the "County").

Bonds

Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2020, dated their date of initial delivery, in the aggregate principal amount of \$30,000,000 (the "Bonds"). The Bonds will be fully registered in denominations of \$5,000 or any integral multiple thereof.

Interest Payment Dates

Semiannually on each May 1 and November 1, beginning November 1, 2020.

Redemption

The Bonds that mature on or before May 1, 2030 are not subject to redemption prior to their stated maturities. The Bonds that mature on and after May 1, 2031 are subject to redemption at any time on or after May 1, 2030 as a whole or in part at the option of the County at par plus accrued interest.

Security and Source of Payment of the Bonds

General obligations of the County to which the full faith and credit of the County are pledged.

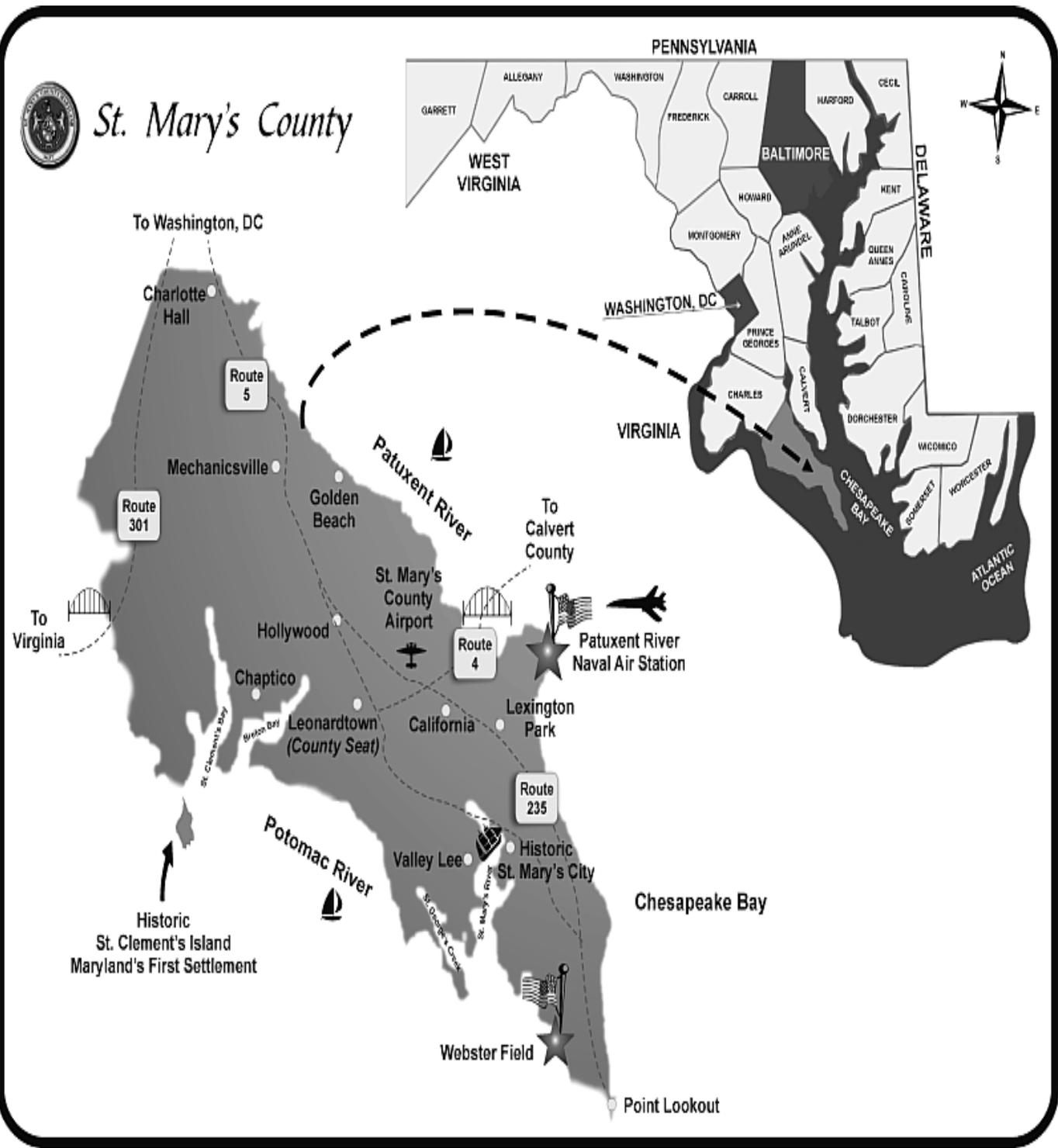
Payment Record

The County has never defaulted on the payment of the principal of or interest on any of its general obligation bonds or notes.

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St. Mary's County



OFFICIAL STATEMENT

St. Mary's County, Maryland General Obligation Bonds

\$30,000,000

Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2020

INTRODUCTION

General

The purpose of this Official Statement (excluding prices or yields) and appendices, is to provide information for prospective purchasers and others regarding the Commissioners of St. Mary's County (the "County") and the \$30,000,000 Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2020 (the "Bonds").

All estimates and assumptions herein have been based upon information believed to be reliable and correct, however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

The material and information contained in this Official Statement have been provided by the County and the execution and distribution of this Official Statement have been authorized and approved by the County.

Description of the County

St. Mary's County was established in 1637 and was the first Maryland county. The County is a body politic and corporate and a political subdivision of the State of Maryland which performs all local governmental functions in the County excepting those performed by the County's one incorporated municipality and those performed by the St. Mary's County Metropolitan Commission.

The County is located in the southern part of Maryland and consists of a long, triangular shaped peninsula bordered on the northwest by Charles County, on the northeast and east by the Patuxent River and the Chesapeake Bay, and on the southwest by the Potomac River. The County is 367 square miles in area with 400 miles of waterways. It is situated in the Atlantic Coastal Plain, and its elevation varies from sea level to 170 feet above sea level.

According to the 2000 Census, the population of the County was 86,211. The 2010 Census shows the population to be 105,151, which reflects a 22.0% increase in population from 2000 to 2010. The County seat of government is located in Leonardtown, which is the only incorporated municipality in the County. Leonardtown had a population of 2,930 in the 2010 Census. The County's population for the 2020 Census is estimated to exceed 120,000 residents.

The County is undergoing economic growth and development and, in particular, is attracting an increasing number of high technology companies in the defense and non-defense industries. The Patuxent River Naval Air Station, among other things, is one of the United States Navy's principal testing facilities for new aircraft and other sophisticated equipment. (See "CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS – Economic Growth and Development.") The largest center of population in the County is Lexington Park, which is adjacent to the Air Station. The Air Station has been located in the County since World War II and remains the principal center of employment in the County. Less than 2% of the County's work force is engaged in agricultural production or water-related activities as a principal occupation.

The County is governed by an elected five-member Board of County Commissioners (the “Board”). (See “COUNTY GOVERNMENT AND ADMINISTRATION.”) The Board may exercise only such powers as are conferred upon it by the General Assembly of Maryland, including authorizations to issue debt to finance its capital projects. (See “CERTAIN DEBT INFORMATION.”)

The executive offices of the County are located at 41770 Baldrige Street, Leonardtown, Maryland 20650. The County’s central telephone number is (301) 475-4200. The County’s internet address is www.stmarysmd.com. The information set forth on the County’s website is *not* incorporated herein by reference.

APPLICATION OF PROCEEDS

The Bonds are being issued to (i) pay a portion of the costs of financing certain capital projects of the County and (ii) pay costs of issuance.

Project	Costs
Leonardtown Library/Garvey Senior Center	\$11,231,279
Asphalt Overlay	6,979,028
Sheriff District #4	3,808,091
Sheriff District #3	2,176,760
Radio System Facility/Equipment	2,018,000
FDR Boulevard	1,987,560
Recreation Facility & Improvements	1,122,000
Airport Wetlands Mitigation	255,000
Chaptico Park Lights	247,282
Bond Issuance	175,000
Total	\$30,000,000

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THE BONDS

General

The Bonds will be dated their date of initial delivery. The Bonds will mature on May 1, in the respective years, and principal amounts and bear interest at the interest rates set forth on the inside front cover page of this Official Statement. Interest on the Bonds is payable on semiannually on each May 1 and November 1, beginning November 1, 2020 until maturity or earlier redemption. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be general obligations of the County to the payment of which the full faith and credit of the County will be pledged. (See “THE BONDS – Source of Payment.”)

Authorization

The Bonds will be issued pursuant to Chapter 96 of the Laws of Maryland of 2013 and Chapter 427 of the Laws of Maryland of 2017. The Bonds are authorized to be issued, sold, and delivered by a resolution of the County adopted by the Board on March 10, 2020 (the “Resolution”).

Form and Denomination

The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. The Bonds will initially be maintained under a book-entry system under which The Depository Trust Company, New York, New York (“DTC”) will act as securities depository. Purchases of the Bonds will be in book-entry form only. Beneficial Owners (as defined herein) shall have no right to receive physical possession of the Bonds, and payment of the principal or redemption price of and interest on the Bonds will be made as described below under “BOOK-ENTRY ONLY SYSTEM – The Depository Trust Company.” Manufacturers and Traders Trust Company, Baltimore, Maryland/Buffalo, New York, will act as bond registrar and paying agent for the Bonds (the “Bond Registrar” and the “Paying Agent”).

Redemption

The Bonds that mature on or before May 1, 2030 are not subject to redemption prior to their maturities. Bonds that mature on or after May 1, 2031 are subject to redemption at any time on or after May 1, 2030 as a whole or in part, at the option of the County, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

If less than all of the Bonds are called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the County. If less than all of the Bonds of any one maturity are called for redemption, the Bonds or portions thereof to be redeemed from such maturity shall be selected by lot by the Bond Registrar, in such manner as the Bond Registrar in its sole discretion may determine, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate bond in the selection by lot of Bonds to be redeemed.

When less than all of a Bond in a denomination in excess of \$5,000 is so redeemed, then, upon the surrender thereof, there shall be issued without charge to the registered owner thereof Bonds in any of the authorized denominations as specified by the registered owner. The amount of Bonds issued shall be equal to the unredeemed balance of the principal amount of the Bond surrendered, and the Bonds issued shall bear the same interest rate and shall mature on the same date as the Bonds surrendered.

If the County elects to redeem all or a portion of the Bonds outstanding, it shall give a redemption notice to DTC not less than 30 days prior to the date fixed for redemption by a secure means as prescribed by the Resolution. If the book-entry system is discontinued for the Bonds, the County shall give a redemption notice to the registered owners of the Bonds to be redeemed by letter mailed first class, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to the addresses of such registered owners appearing on the registration books kept by the Bond Registrar (the “Bond Register”); provided, however, that the failure to deliver or mail the redemption notice to any registered owner or any defect in the notice or in the delivery or mailing thereof shall not affect the validity of the redemption proceedings.

From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date and any other conditions to such redemption have been satisfied, the Bonds designated for redemption shall become due and payable at the redemption price provided for the redemption of such Bonds on such date, interest on the Bonds shall cease to accrue and the registered owners of such Bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from such monies held by the Paying Agent. Upon presentation for redemption in compliance with the redemption notice, the Bonds to be redeemed shall be paid by the Paying Agent at the redemption price. If they are not paid upon presentation, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

Payment

So long as the Bonds are maintained in book-entry only form, payment of the principal or redemption price of and interest on the Bonds will be made as described below under "Book-Entry Only System." At any other time, the Bonds will be payable to the registered owners, as to principal at the designated corporate trust office of the Paying Agent and as to interest by check mailed to the registered owners, as shown in the Bond Register as of the close of business on the fifteenth day of the month immediately preceding each interest payment date (the "Regular Record Date") at the address shown on the Bond Register. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name such Bond is registered as of the close of business on a date to be fixed by the Paying Agent for the payment of such defaulted interest (the "Special Record Date"), notice whereof being given by letter mailed first class, postage prepaid, to said person not less than thirty (30) days prior to such Special Record Date, at the address of such person appearing on the Bond Register, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange.

All payments of the principal and redemption price of and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts subject to the provision for payment of interest by check set forth above.

Transfer and Exchange

The Bonds may be transferred or exchanged only upon the Bond Register kept at the designated corporate trust office of the Bond Registrar, by the registered owner in person, or by his or her attorney duly authorized in writing, upon surrender together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or duly authorized attorney, and thereupon, within a reasonable time, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond transferred or exchanged and maturing on the same date and bearing interest at the same rate. The Bond Registrar may require payment by the owner of the Bond requesting exchange or transfer of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to such owner for such exchange or transfer. Said new Bond or Bonds shall be delivered to the transferee only after due authentication thereof by an authorized officer of the Bond Registrar. The County and the Bond Registrar shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as hereinabove described; provided, however that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

Source of Payment

The Bonds shall constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become due and payable. The legislation authorizing the Bonds further provides, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding, the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of the County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all of the Bonds maturing in each such fiscal year and in the event the proceeds from the taxes so levied in any such fiscal year shall prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any such deficiency.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Bond Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County, the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Book-Entry Only System – Miscellaneous

The information in the section "BOOK-ENTRY ONLY SYSTEM — The Depository Trust Company" has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County or the Bond Registrar and Paying Agent will have any responsibility or obligations to the Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to the Direct or Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that the Direct or Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis or that they will serve and act in the manner described in this Official Statement.

Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and Paying Agent and such Bonds will be exchanged for Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Bond Registrar and Paying Agent. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described herein. (See "THE BONDS").

BONDHOLDERS' REMEDIES

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds to the holders thereof and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of the County's general obligation bonds, including the Bonds, ratably, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to the holders of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the applicable provisions of the Federal bankruptcy laws or of other statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings have given the Bonds the respective ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained from the rating agency furnishing them. The County furnished the rating agencies information contained in a preliminary form of this Official Statement and other materials and information. Generally, the rating agencies base their ratings on such material and information, and on their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that they will not be revised downward or withdrawn by any or all of the rating agencies if, in the judgment of any or all, circumstances should warrant such actions. Any such downward revision or withdrawal of any or all of such ratings could have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

McGuireWoods LLP, Baltimore, Maryland, is acting as Bond Counsel in connection with the issuance of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of the opinion substantially in the form set forth in Appendix B of this Official Statement.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest. Bond Counsel's opinion will state that, under current law, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the Federal alternative minimum tax.

Bond Counsel's opinion speaks as of its date, is based on current provisions of the Code, and other current legal authority and precedent, and covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for Federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the County or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS") or the courts. The County has covenanted, however, to comply with the requirements of the Code.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for Federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the Federal tax liability of an owner of the Bonds. The nature and extent of these other Federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Bonds should consult their own tax advisors with respect thereto.

See Appendix B – Form of Opinion of Bond Counsel.

Reliance and Assumptions; Effect of Certain Changes. In delivering its opinion regarding the tax treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of the County, the underwriters of such Bonds, the financial advisor to the County and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of Federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed by such Bonds, limitations on the source of the payment of and the security for such Bonds and the obligation to rebate certain excess earnings on the gross proceeds of such Bonds to the United States Treasury. The Non-Arbitrage Certificate and Tax Covenants to be entered into by the County (the "Tax Certificate") with respect to the Bonds contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for Federal income tax purposes retroactively to their date of issue. If such a failure occurs, the available enforcement remedies may be limited by applicable provisions of law and,

therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes. Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for Federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Original Issue Discount. “Original issue discount” is the excess, if any, of the amount payable at maturity (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) of any maturity of the Bonds purchased as part of the initial public offering over the issue price of the maturity. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (an “OID Bond”) will be excludable from gross income to the same extent as interest on the Bonds for Federal income tax purposes. In general, the “issue price” for each maturity of the Bonds is the first price at which a substantial amount of the Bonds of that maturity was sold to the public, which may differ from the price shown on the inside cover page hereof.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excluded from the gross income of the owner for Federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the issue price may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed below. Consequently, owners of any OID Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner of such OID Bond has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for Federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial offering at their issue price) and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium. In general, a Bond purchased at a price (excluding accrued interest) producing a tax basis in excess of the principal amount payable at maturity is a “Premium Bond” and the amount of the excess constitutes the “Bond Premium” on the Premium Bond. Under the Code, the Bond Premium is amortized based on the owner’s yield over the remaining term of the Premium Bond (or, in the case of certain callable Premium Bonds, to an earlier call date that results in a lowest yield on the Premium Bond). The owner of a Premium Bond must amortize the Bond Premium by offsetting the qualified stated interest allocable to each interest accrual period against the Bond Premium allocable to that period. No deduction is allowed for such amortization of Bond Premium and the owner is required to decrease the adjusted basis in the Premium Bond by the amount of the amortizable Bond Premium properly allocable to the owner.

Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of Bond Premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of Bond Premium on, such Premium Bond.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a

particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Information Reporting and Backup Withholding. Prospective purchasers should be aware that the interest on the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an “exempt recipient” and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on Federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Bonds from gross income for Federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner’s Federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Opinion of Bond Counsel – State Tax Exemption. In the opinion of Bond Counsel, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

Interest on the Bonds may be subject to state and local taxes in jurisdictions other than the State of Maryland under applicable state or local laws. Prospective purchasers of the Bonds should consult their own tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

Effects of Future Enforcement, Regulatory and Legislative Actions. The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the County as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in Federal or state income tax rates and the application of Federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for Federal or state income tax purposes.

The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the Federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds’ Federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed Federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

COUNTY GOVERNMENT AND ADMINISTRATION

General

The Commissioners of St. Mary's County is comprised of five Commissioners elected for four-year terms. All Commissioners are elected by the entire County voters. The four Commissioners must live in the District they are representing; the President may live anywhere in the County.

The Commissioners of St. Mary's County appoints a County Administrator who is responsible for the general administration and daily operation of County government. County government departments report directly to the County Administrator. The financial administration of the County is centralized with the Chief Financial Officer who is responsible for the accounting and general ledger functions, purchasing, overseeing the financial planning and annual budget process, debt service and investment of County funds. The County Treasurer is responsible for billing and collection of property taxes.

County Commissioners

JAMES "RANDY" GUY, President, is serving his second term as President of the Commissioners of St. Mary's County. He was born in Leonardtown, Maryland and graduated with a degree in transportation and traffic management from the Community College of the Air Force. He joined the Air Force in 1966 and served 26 years as a loadmaster on C-130s and C-141s. His assignments included a tour in Vietnam and participation in many operational missions. During his career he was based in the Philippines, bases in North and South Carolina and served as the Air Lift Manager at the Joint Chemical Warfare Test Group in Virginia. He ended his career as the Enlisted Air Crew Manager at the Pentagon in Washington, D.C. Mr. Guy has also served in many capacities in St. Mary's County. During a break in service in the early 1970s, Mr. Guy was a deputy sheriff with the St. Mary's County Sheriffs' Department. Following his Air Force career, he returned home and opened a small business, Southern Maryland Pools and Spa in Hollywood, Maryland. He continued in business for eleven years. Since his retirement, Mr. Guy has been active in local politics. He completed the Academy for Excellence in Local Government from the University of Maryland College Park. He served on the Central Committee from 1998-2002. He has also served on the Board of Appeals from July 2009-November 2014. Mr. Guy is also a very active volunteer in the community. Since 1994, he has been a member of the American Legion, southern Maryland post 221, where he has served in many capacities including Post Commander and as a member of the American Legion Executive Committee at the state level. Mr. Guy is a member of the Leonardtown Lion's Club and a current member of the Maryland Association of Counties (MACo) Legislative and Education Committees. He is a current member of the Tri-County Council's Veteran's Regional Advisory Council. Mr. Guy currently represents St. Mary's County on the Maryland Rural Counties Coalition. He lives in Clements with his wife, Carolyn. They have one son, Charles.

ERIC COLVIN is serving his first term as a member of the Commissioners of St. Mary's County and represents Commissioner District 1 (Ridge, Piney Point and St. George's Island). He was born and raised in Leonardtown MD, attending Leonardtown Elementary, Middle, and High Schools. Mr. Colvin graduated Summa Cum Laude with Bellavance Honors from Salisbury University with dual majors in Political Science and History and a minor in Marketing and earned an MBA degree from The College of William and Mary's Mason School of Business. He has worked for several defense contractors in the area. For the last 10 years he has worked as a Financial Analyst at Webster Field, St. Inigoes.

MICHAEL L. HEWITT is serving his second term as a Commissioner of St Mary's County. He represents Commissioner District 2, the Hollywood-Leonardtown area. He was born in Maine and moved with his family to St Mary's County in 1963. He attended St Michael's Elementary school in Ridge and later Esperanza Middle school and Great Mills High school. He's also a graduate of St Mary's College of Maryland. After college Mr. Hewitt started working in the family business started by his father in February of 1964. He took over the business, Hewitt's Service Center, located in Lexington Park in 1981, operating it until January of 2017 when he retired.

Mr. Hewitt has served St Mary's County residents for the past five years as a County Commissioner. His previous public service has included the St Mary's County Planning Commission (1994-1996), the St Mary's County Board of Education (1996-2000) along with the Board of Education's Budget Advisory Committee, Audit Committee, Ethics and Health and Human Services Committee. He also served on the St Mary's County Zoning Board of Appeals from 2000-2006. In 1998 he was appointed to the Maryland Route 235 Focus Group, from 2000-2006 served on the Calvert County Marine Museum Board of Governors in Solomon's, MD and from 2011 to 2014 he served on the Patuxent River Naval Air Museum Board of Directors. Governor Larry Hogan appointed Mr. Hewitt to the Patuxent River Commission and the Critical Areas Commission in 2014 and reappointed him to the Critical Area Commission in 2019.

TODD B. MORGAN is serving third term as a Commissioner of St. Mary's County. He moved to St. Mary's County in 1979 following college graduation. Mr. Morgan earned a BS in Business Administration (Finance) from Susquehanna University. He later earned a Master's in Business Administration (MBA) Degree from Marshall University.

Mr. Morgan began his career working for a major defense contractor. In 1985 he joined Rex Eagan and John McAllister as their partner at Eagan, McAllister Associates, Inc. (EMA). EMA became one of the largest businesses in Southern Maryland, winning numerous awards and accolades. EMA is now known as Science Applications International Corporation (SAIC) where he still works in support of its Patuxent River and Webster Field organizations.

Mr. Morgan taught college classes locally for over 20 years at St. Mary's College of Maryland, the University of Maryland University College, Charles County Community College (now College of Southern Maryland) and for Embry-Riddle University where he is an Adjunct Assistant Professor.

Mr. Morgan currently serves on the Southern Maryland Tri-County Council. He has served as Chair in 2011-2012, 2014-2015 and 2017-2019. In 2013, he was appointed by Governor Martin O'Malley to serve on the Historic St. Mary's City Commission. He has also served as the President of the Southern Maryland Navy Alliance (2004-2010), Vice President of the Historical St. Mary's City Foundation (1996-2010). He was an Assistant Scoutmaster of BSA Troop 413, and a member of the Finance committee at the Church of the Ascension (Lexington Park) and a member of the St. Mary's Republican Club.

He is a former member of the St. Mary's County Juvenile Drug Court. He served as chairman of the St. Mary's County Elected School Board Task Force, was elected to the St. Mary's County Republican Central Committee and was a member of the Lexington Park Library Task Force. He has served as a Vestry Member at the Church of the Ascension, as a board member on the St. Mary's County Chamber of Commerce and on the Wildewood Homeowners Association. He coached four seasons for the St. Mary's County Recreation and Parks Youth basketball.

JOHN O'CONNOR is in his second term representing Commissioner District 3 (Charlotte Hall, Mechanicsville, Golden Beach and the Seventh District). He was raised on Long Island, New York. He currently resides in Mechanicsville with his wife Elizabeth and son John Edward II.

Upon graduation from high school, he joined the United States Army and served as a Military Police Officer, earning the rank of Sergeant. He participated in peacekeeping missions in Kosovo, and combat operations during Operation Iraqi Freedom. John is a highly decorated veteran, and during his tour in Iraq, he was awarded the Purple Heart and received the Army Commendation Medal with Valor Device for participation in acts of heroism involving direct conflict with an armed enemy.

Mr. O'Connor earned an Associate degree from Kaplan University in Criminal Justice Administration and a Bachelor of Science in Management degree from Johns Hopkins University. At Johns Hopkins his studies focused on Public Safety Leadership as part of the Johns Hopkins University Public Safety Leadership Program.

After completing several years of service in the United States Army, he continued his public service as a police officer in both paid and volunteer positions. Mr. O'Connor has served in various capacity such as patrol officer, supervisor, command staff, and Acting Chief of Police. In total he has served in public safety and in public service for over 19 years.

Mr. O'Connor is a Small Business Owner, Distinguished Lifetime Member of the NRA, a private pilot, UAS (Drone) pilot and supporter of civil aviation initiatives. He continues to be active in groups such as; The Wounded Warrior Project, Military Order of the Purple Heart, Veterans of Foreign Wars Post 2632, American Legion Post 221, Iraq and Afghanistan Veterans Association, Thomas J. Shryock Masonic Lodge No. 223 A.F & A.M., Raeford Masonic Lodge No. 306 A.F & A.M, Association of the United States Army, and Fraternal Order of Police Lodge # 9 as a representative to the State.

Mr. O'Connor has served for several years on Local Government Insurance Trust (LGIT) Board of Trustees as well as a member of LGIT's Risk Management subcommittee.

Treasurer

CHRISTINE L. KELLY, County Treasurer is serving her second term as St. Mary's County Treasurer. Prior to being elected Treasurer, Mrs. Kelly served in the United States Navy as an Intelligence Specialist and worked as a business manager and a salesperson. She is a member of the Maryland Government Finance Officers Association.

Certain Appointed Officials

DR. REBECCA BOLTON BRIDGETT, age 54 was appointed County Administrator in April 2013. Dr. Bridgett brings nearly 20 years of experience in public administration to St. Mary's County serving in a variety of executive level positions in local and state government. Between 2009 and 2012 she served as County Administrator for Charles County, Maryland. Dr. Bridgett served as Director of the Charles County Department of Social Services, Department of Human Resources, for over five years. She served as the Acting Executive Director of the Social Services Administration for the State of Maryland. Dr. Bridgett served as chair and member of the elected Charles County School Board. Dr. Bridgett is recognized as a University of Maryland Academy of Excellence in Local Governance Fellow, Graduate of Leadership Southern Maryland's Class of 2014, and Graduate of Leadership Maryland Class of 2016. During her career, Dr. Bridgett has served on numerous professional and volunteer boards and commissions including Southern Maryland Higher Education Center, Workforce Investment Board, The Patuxent Partnership and Maryland Association of Counties County Administrator's Affiliate. During her tenure, the Economic Development Commission completed a Comprehensive Economic Development Strategy, Tourism & Hospitality Study, Report to Streamline Development Process, and a Gap Analysis for Human Service Programs. She provides oversight for the County's participation in Tri-County Council, Southern Maryland Navy Alliance and the St. Mary's County Chamber of Commerce. Dr. Bridgett serves as chairman for the Sheriff's Office Retirement Board, Length of Services Award Program Trust, and the St. Mary's County Retirement Benefit Trust. She served as a member of the Huntsville, Alabama Trade Delegation examining economic diversity and its application to St. Mary's County. Dr. Bridgett developed the St. Mary's County Citizens Academy. She holds an ED.D. from NOVA Southeastern University, a M.A. from Appalachian State University, and a B.A. degree from Campbell University.

L. JEANNETT CUDMORE, Chief Financial Officer, age 57, joined the County as Deputy Director in the Finance Department in October 1998 and was initially responsible for implementing and training all users on the County's new financial system. She was acting Director of Finance from January 2000 – through August 2000. During her tenure, the County has focused on the improvement of a variety of fiscal practices, including procurement, budget development and management for both operating and capital project funds, multi-year planning, periodic evaluation and monitoring of capital project expenditures and the related debt capacity. She was promoted to Chief Financial Officer in May 2015. Ms. Cudmore is a trustee on the County's Sheriff's Office Retirement Board, the St. Mary's County Retirement Benefit Trust, Length of Service Awards Program Trust, and the 457(b) Governance Committee. She is a member of GFOA, MDGFOA, MACPA, and NIGP. The County's fiscal year 2020 Budget Book received the 4th "Distinguished Budget" Presentation Award from GFOA. The Procurement Manual update was approved after 30 years on September 10, 2019 to include changes in technology and process. She received her B.S. degree in Business Administration with a concentration in Management from Frostburg State University (1985) and B.S. in Accounting from University of Maryland Global Campus (1994). She received her certification as CPA in 1997. Prior to working in St. Mary's County, she worked for Charles County Government and held accounting positions in the automotive and construction field.

DAVID A. WEISKOPF, age 50, has been the County Attorney for St. Mary's County since October 2017, after serving as Deputy County Attorney since 2008. He was admitted to practice before the Court of Appeals of Maryland in 1996, and has years of legal experience in business, real estate and as a trial lawyer, and has been recognized as a Notable Attorney from the leading national law directory. He is a former Assistant Public Defender for St. Mary's County, and is currently serving as President-elect for the St. Mary's County Bar Association (Past President). He is a member of the Maryland State Bar Committee for the Lawyer Assistance Program and current chair of the St. Mary's County Pro Bono Committee. He is a graduate of St. Mary's College of Maryland (B.A., 1993) and the University of Baltimore School of Law (J.D., 1996). He is currently an instructor for business law and business ethics in the University of Maryland School System.

JOHN F. DEATRICK, P.E., AICP, LEED BD+C, age 74, Director of Public Works and Transportation for the Government of St. Mary's County, received a BSCE (Civil Engineering) degree from the University of Cincinnati and a BA from the University of Maryland, with concentrations in Business Administration and History. Mr. Deatruck was appointed the Director in August 2017. He is responsible for engineering services; St. Mary's County Regional Airport; capital, asset management, maintenance, and private development work permits in the highway right-of-way and its related stormwater, lighting and other facilities; facility services including maintenance, project and asset management; the local transit system; maintaining the County owned vehicle fleet; solid waste and recycling services; and management of the public transit system and non-public school bus transportation. Prior to that time, during his forty year plus career he has served as Director of Transportation and Engineering for the City of Cincinnati, Deputy Director and Chief Engineer for the Washington, DC, Department of Transportation, Project Executive for the Cincinnati Central Riverfront Redevelopment (The Banks Project) and the construction of the Cincinnati Streetcar.

CHRIS KASELEMIS, AICP, Director of Economic Development, age 61, received his B.S. degree from the University of Arizona with a major in Accounting, and his Master’s in Business Administration, emphasis in Finance, also from the University of Arizona. Mr. Kaselemis was appointed Director of Economic Development for St. Mary’s County in June 2015. He previously worked for the City of Tucson for 28 years, holding various positions including Senior Management Analyst, Comprehensive Planning Administrator, Community Development and Planning Administrator, Assistant to the City Manager, Program Evaluation Office Program Manager, and Economic Initiatives Program Director. He is certified by the American Planning Association’s American Institute of Certified Planners (AICP).

Remuneration of Certain Officials

The following chart sets forth the current annual remuneration for calendar year 2020 to be paid certain County officials whose salary is either set by law or determined under contractual arrangement:

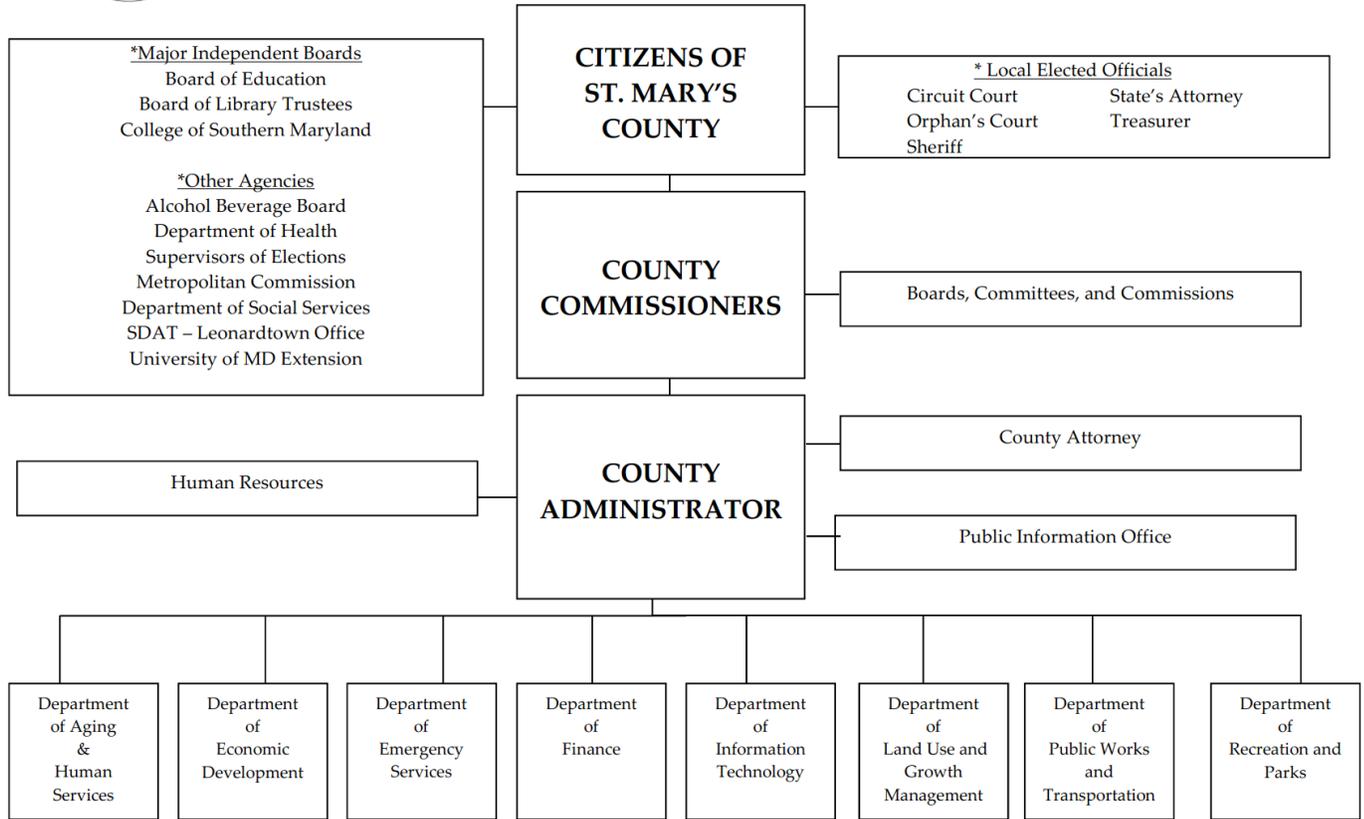
Official Title	Salary by Law	Salary by Contract
President, Board of County Commissioners	\$44,746	
County Commissioner	\$39,544	
County Treasurer	\$63,000	
County Administrator		\$187,648
Chief Financial Officer		\$137,976
Director of Public Works and Transportation.....		\$152,341
Director of Economic Development.....		\$132,458
County Attorney		\$155,000

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St. Mary's County Government Organization



**ST. MARY'S COUNTY GOVERNMENT
Organizational Chart**



*** County Commissioners have funding responsibility only**

FY2020

Retirement and Pension Programs

Prior to January 1, 1980, all County employees were required to participate in the Employees' Retirement System of the State of Maryland (the "Retirement System"). The Retirement System was closed to new members effective December 31, 1979. During the 1979 legislative session, the Maryland General Assembly created the Employees' Pension System ("Pension System") effective January 1, 1980. All County employees who were members of the Retirement System could elect to transfer all accrued service credit to the new Pension System or remain in the Retirement System under one of three options: Plan A – members elected to pay a higher contribution rate (generally 7% of pay) to maintain all benefits, including unlimited cost of living adjustments; Plan B – members continued pre-1984 contribution rate (generally 5% of pay) to maintain all benefits except unlimited cost of living (cost of living adjustments are capped at 5%); Plan C – members chose a combination, or two part (bifurcated) benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefits; the portion of service after the election is calculated at retirement as a Pension System benefit. The Retirement System provides annual pensions for members who retire at age 60 regardless of service, or upon 30 years of eligibility service, regardless of age, equal to 1/55th of the average of the 3 highest annual salaries during the member's career multiplied by total months and years of creditable service. A member having 25 years of service may retire prior to age 60 at a reduced benefit.

Employees hired after January 1980 were enrolled in the Pension System. Benefits payable under the Pension System were originally less than those payable under the Retirement System; however, the Pension System was converted to a Contributory Pension System on July 1, 1998, and again enhanced on July 1, 2006 (known as the Alternate Contributory Pension Selection Plan) which considerably improved the Pension System benefit.

Members of the Pension System hired before July 1, 2011, are eligible to retire after 30 years of service regardless of age, at age 62 with 5 years of service, at age 63 with 4 years of service, at age 64 with 3 years, or at age 65 or older with 2 years of service. The pension payable to a member of the Pension System who retires after 30 years of service or at age 62 is computed at 1.2% of the member's average final compensation (average of the 3 highest consecutive annual salaries during the employee's career) multiplied by years of credited service prior to July 1, 1998 plus 1.8% of average final compensation multiplied by years of credited service after June 30, 1998. Members are eligible for early retirement at age 55 with at least 15 years of service, but the benefit is reduced.

For members of the Pension System hired on or after July 1, 2011, normal service retirement is determined by the Rule of 90. Members become eligible once the sum of their age and eligibility service is at least 90. Members also may retire at age 65 with at least 10 years of eligibility service. The pension is equal to 1.5% of the member's average five highest consecutive annual salaries during their career multiplied by the years of credited service. Members are eligible for early retirement after attaining age 60 and with at least 15 years of service, but the benefit is reduced.

Both the Retirement System and the Pension System are jointly contributory. Under the Retirement System an employee contributes 5% or 7% of compensation; under the Pension System an employee contributes 7% of compensation. Pension benefits are funded by employee and employer contributions. However, the County contributes the largest amount to fund these benefits. As a percentage of payroll, effective July 1, 2019, the County's contribution rate for the Retirement System is 11.71% and 10.24% for the Pension System.

The County adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68, during the fiscal year ending June 30, 2015.

During the 1984 General Assembly, an Act was passed to authorize the County to adopt a separate pension plan or the supplementation of existing plans for personnel of the Sheriff's Office to enable such personnel to retire with benefits at an earlier age.

On July 1, 1986, deputies and correctional officers participating in the Maryland State Retirement System and Pension System plans were given the option to transfer their accrued service credit to the St. Mary's County Sheriff's Office Retirement Plan with membership mandatory after July 1, 1986. The Sheriff's Office Retirement Plan has a member contribution rate of 8%, with the County contributing, effective July 1, 2019, 40% of annual compensation. The retirement date is the earlier of the employee's 62nd birthday or completion of 25 years of service. The pension is payable at 2% (for years of service prior to July 1, 2008) and 2.5% (for years of service after June 30, 2008) of the member's highest average annual compensation for three consecutive years out of the ten years prior to employment separation multiplied by the number of years of creditable service. A member having 20 years of service may retire prior to age 62 at a reduced benefit. Cost of living adjustments are set at 3% annually.

The amount of the unfunded accrued liability attributable to the County as of June 30, 2019 for the Sheriff’s Office Retirement Plan was \$42,579,735. Changes to the plan’s unfunded liability due to changes in assumptions and actuarial gains/losses recognized on or after July 1, 2017 will be amortized over closed periods of 20 years.

The following table sets forth the County’s contribution for the Retirement and Pension System and the Sheriff’s Department Retirement Plan for the five most recent fiscal years ended June 30 for which audited data are available:

Fiscal Year	Retirement & Pension System	Sheriff’s Department Retirement Plan	Total
2019	\$2,180,432	\$5,644,000	\$7,824,432
2018	\$2,050,819	\$5,147,467	\$7,198,286
2017	\$2,012,485	\$5,148,862	\$7,161,347
2016	\$1,973,642	\$4,815,590	\$6,789,232
2015	\$2,205,647	\$5,011,496	\$7,217,143

Source: St. Mary’s County Department of Finance.

Effective July 1, 1985, the funding of retirement costs for members of the municipal corporations was separated from the funding of retirement costs for members of the State of Maryland with municipal corporations paying at a common normal cost and accrued liability percentage rate pay rolled on a pooled basis.

The County annually funds a length of service program (LOSAP) for volunteer fire rescue and advanced life support organization members. To be eligible, a member must be 55 years of age and have a minimum of 20 years of service. The minimum monthly benefits payable to any member certified to receive such compensation is \$150. Any person who has reached the age of seventy (70) and fails to achieve the required twenty (20) years of service, shall receive a monthly benefit equal to the number of years of certified service completed, multiplied by five dollars¹ (\$5.00), for life. The person must have at least two years of certified active service in the five (5) preceding years.

The cost to the County to meet these retirement benefits in fiscal year 2019 was \$1,815,022 for the current retirees and \$800,000 was paid to the LOSAP trust.

Other Post - Employment Benefits (“OPEB”)

St. Mary’s County Government retirees with at least 10 years of eligible County service and their eligible dependents under age 65 are eligible for health, prescription drug, dental, and vision A Medicare supplement including health, prescription drug, and vision benefits is available to retirees and their dependents over the age of 65. The County adopted the requirements of GASB Statement No. 45 during the year ended 2008.

An actuarial study as of June 30, 2018, reported a net OPEB liability of \$10,123,051. The amount budgeted in fiscal year 2019 and 2020 was \$3,200,000 and \$3,300,000, respectively – estimated amount for retirees only. The following table outlines the activity:

Fiscal Year	Retirees	Payments to Retirees	Annual OPEB Cost	Contributions Made
2019	1,046	\$3,390,502	\$5,279,000	\$3,390,502
2018	1,100	\$3,133,686	\$5,090,000	\$3,133,686
2017	1,090	\$3,009,007	\$5,294,000	\$3,009,007
2016	1,086	\$2,685,268	\$5,048,000	\$2,685,268
2015	1,046	\$2,281,082	\$6,079,000	\$7,079,000

Source: St. Mary’s County Department of Finance.

All employees of the County, including general, elected and appointed, participate in the Federal Insurance Compensation Act (“FICA”).

¹ Under the new provisions, this benefit amount was increased to eight dollars (\$8.00). Therefore, for each additional full year of certified volunteer service earned in excess of twenty (20) years after July 1, 2006, a participant will receive the new benefit amount of eight dollars (\$8.00).

Labor Relations

As of July 1, 2019, the County employed approximately 790 full time equivalent employees. The County has not entered into any collective bargaining agreements. In addition, the County has not experienced a work stoppage due to labor problems and considers its relationships with employees to be satisfactory.

Leases and Other Contracts

In addition to contracts for goods and services arising in the ordinary course of business of the County, the County is a party to numerous other contracts, primarily with engineers, architects and contractors, relating to capital projects. Funds necessary to meet the County's obligations for these contracts have been appropriated and are a part of the Capital Improvement Fund of the County. (See "BUDGET AND ACCOUNTING.")

The County will acquire needed equipment through equipment lease/purchase agreements in future fiscal years as long as it proves to be an economical manner of handling such expenditures.

BUDGET AND ACCOUNTING

The formulation of the County's budget is the responsibility of the Chief Financial Officer who is subject to the supervision of the County Administrator.

The County Budget is comprised of the Current Expense Budget, the Capital Budget and Capital Program, and the Budget Message.

Current Expense Budget

The Current Expense Budget, which by law must be balanced, is prepared and submitted for approval to the Commissioners of St. Mary's County based upon estimated revenues and expenditures of operations for the ensuing fiscal year submitted to the Chief Financial Officer by the head of each office, court, department, institution, board, commission, corporation, or other agency of the County government. The proposed Current Expense Budget is required to contain not less than the following information: (1) a statement of all revenue estimated to be received by the County during the ensuing fiscal year, classified to show the receipts by funds and sources of income; (2) a statement of the debt service requirement for the ensuing fiscal year; (3) a statement of the estimated cash surplus, if any, available for expenditure during the ensuing fiscal year; (4) a statement of the bonded and other indebtedness of the County and its agencies, including self-liquidating and special taxing district debts; (5) a comparative statement of the receipts and expenditures for the last two completed fiscal years, the estimated receipts and expenditures of the current ending fiscal year and the expenditures recommended by the Commissioners of St. Mary's County for the ensuing fiscal year for each function, activity, and sub activity; and (6) any other material which the Commissioners of St. Mary's County may deem advisable.

Capital Budget and Capital Program

The Capital Budget of the County is its plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program of the County is its plan to receive and expend funds for capital projects during the fiscal year covered by the Capital Budget and the next succeeding five fiscal years thereafter. The Commissioners of St. Mary's County may direct that each office, court, department, institution, board, commission, corporation, or other agency of the County government submit to the Chief Financial Officer for transmission to the Planning Commission an itemized list of the capital projects which each agency proposes to undertake in the ensuing fiscal year and the next succeeding five fiscal years thereafter. After consideration by the Planning Commission, the Director of Land Use and Growth Management is required to transmit to the Chief Financial Officer the list of projects recommended by the Commission together with his recommendation of the projects to be undertaken, in the periods aforesaid and estimates of the costs thereof. The Commissioners, with the assistance of the Chief Financial Officer, shall consider such recommendations with the other budget proposals and shall recommend to the general public together with the Current Expense Budget, a complete Capital Budget and Capital Program. The proposed Capital Budget and Capital Program is required to be arranged so as to set forth clearly the plan of proposed capital projects to be undertaken in the ensuing fiscal year and in each of the next succeeding five fiscal years, and also the proposed means of financing them. The Capital Budget shall include a statement of the receipts anticipated during the ensuing fiscal year from all borrowing and from other sources for capital projects.

Budget Message

The Budget Message is required to contain supporting summary tables and to explain the proposed Current Expense Budget, Capital Budget and Capital Program, both in fiscal terms, and in terms of work to be done. It is required to outline the proposed financial policies of the County for the ensuing fiscal year and describe the important features of the Current Expense Budget. It must also indicate any major changes in financial policies and in expenditures, appropriations, and revenues as compared with the fiscal year currently ending and set forth the reasons for such changes. The Budget Message also must include such other material as the Commissioners of St. Mary's County may deem desirable.

Adoption of Budget

Before April 1 of each year, the Recommended County Budget must be prepared and signed by a majority of the Commissioners of St. Mary's County. Upon approval of the proposed County Budget, notice of the places and times of public hearing(s) on the proposed budget must be published in at least one newspaper of general circulation published in the County. The hearing(s) are to be held not less than 20, nor more than 40 days after the date of filing the proposed budget. After the public hearings, the Commissioners of St. Mary's County may revise the proposed budget and any part of it by increasing, decreasing, eliminating, or adding items. Items may not be consolidated in such a manner as to reduce the detailed statements of the appropriations. The Board is further authorized to revise the schedule of anticipated receipts and estimated rates for general and special taxes. The Annual Budget and Appropriation Act is required to be adopted by June 1. The adoption of the Budget must be by the affirmative vote of not less than three members of the Commissioners of St. Mary's County.

Basis of Accounting

Basis of accounting refers to the time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Both the General Fund and the Capital Improvement Fund of the County are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts taxes, and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles ("GAAP") as applicable to governments.

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COUNTY SERVICES

Through its various departments and offices (see “COUNTY GOVERNMENT AND ADMINISTRATION”), the County supplies an array of governmental services. The following is a description of certain services provided by the County.

Education

The St. Mary’s County Board of Education, consisting of five members elected for four-year terms, is responsible for the overall operation and policy decisions of the County’s public-school system. During the 2019-2020 school year, the Board of Education exercised responsibility for 29 elementary and secondary schools, including a Career and Technology Center, Fairlead Academy, Head Start and pre-kindergarten programs, and a public charter school. The Maryland State Department of Education (MSDE) approved enrollment was 17,040 students in school year 2018-2019. The 2018-2019 level of professional teachers allowed average class sizes of 18 at the kindergarten level, 19.5 at grades 1 and 2, 21 for grades 3 to 5, 24 for middle schools, and 22 for high schools. In June 2019, 1,176 students graduated from St. Mary’s County public schools. The County provided funding to the Board of Education in the amount of \$102,189,940 in fiscal year 2018, \$103,852,525 in fiscal year 2019, and \$106,242,921 in fiscal year 2020.

In addition, there are 10 private and parochial schools in St. Mary’s County that accommodate approximately 2,854 students.

Police and Fire

The St. Mary’s County Sheriff’s Office is a full-service law enforcement agency which includes the management of the St. Mary’s County Detention and Rehabilitation Center. The Sheriff has a staffing authority of 151 sworn deputies, 90 correctional officers, and 82 civilian support personnel.

The Sheriff’s Office provides law enforcement services to the citizens of St. Mary’s County including, general patrol functions, i.e. criminal investigations, civil disturbances, accident investigation, traffic enforcement, court security, service of arrest warrants and protective orders, and assisting other county agencies.

The St. Mary’s County Detention and Rehabilitation Center is responsible for housing all adult inmates sentenced and awaiting trial. The rated capacity is designed to house 230 inmates and has a current inmate population ranging from 205 to 230 with another 60 to 70 being monitored outside on pretrial. The County’s capital budget and plan includes funding for a multi-phase renovation and expansion project.

(See “COUNTY GOVERNMENT AND ADMINISTRATION – Retirement and Pension Programs” for information on the Sheriff’s Department pension plan.)

There are seven volunteer fire departments, operating from eight stations with 488 active members operating 75 pieces of equipment ranging from 100-foot aerial ladder trucks, 1,500 GPM pumpers to small four-wheel drive vehicles for woods and brush fire suppression work and chiefs command vehicles. The departments are financed from state, county, dedicated fire property tax and private fund-raising sources.

There are also nine volunteer rescue squads, operating from eight stations with 427 active members operating 38 ambulances and eight command and utility vehicles. Except for one Combined Volunteer Fire Department and Rescue Squad, rescue squads are independent organizations not associated with the volunteer fire departments. ALS (Advanced Life Support of St. Mary’s County) is county funded.

The Department of Emergency Services is responsible for County-wide centralized emergency management and emergency communications response and preparedness activities. Complete emergency communications coverage for the protection of St. Mary’s County’s is provided for the Sheriff’s Department, volunteer fire departments and rescue squads; all provided in one centralized location using an 800-MHZ 10-channel radio system and tower infrastructure. The 911 center also has a mutual aid agreement with the Maryland State Police for simulcast of major incidents, and a direct communications link. The “911 Center” houses operations and allows a coordinated response to any emergency situation. In addition, an off-site 911 backup center is maintained at 100% operational readiness condition.

(See “CERTAIN DEBT INFORMATION” for information on the County’s authority to create a revolving loan fund for capital projects of the volunteer fire departments and rescue squads.)

Health

The St. Mary's County Health Department (SMCHD) is responsible for protecting and promoting the health of St. Mary's County. Within the scope of its resources, the health department delivers a variety of services to our community, based on health needs and regulations. As the county's leader in public health, SMCHD is committed to ensuring that all community members have access to personal and community-based services and health information.

The Health Department monitors community health data to identify priority health needs and to inform residents and partners on public health issues. In addition, the agency implements culturally sensitive programs to ensure public health access for Medicaid recipients, seniors, pregnant women, children, and individuals with disabilities. SMCHD provides select clinical services for the community, including infection diagnosis and treatment, vaccinations and immunizations, harm reduction support, and reproductive health services. SMCHD also works to reduce the burden of chronic disease through tobacco prevention and cessation efforts and through the asthma control program. Additionally, the agency prevents and controls local infectious disease outbreaks and provides guidance in county efforts to address health-related emergency situations. Vital records, including birth and death certificates, may also be obtained via the Health Department. SMCHD also serves as the Local Behavioral Health Authority (LBHA) and is the local point of contact in assisting individuals with access to behavioral health services (mental health and substance use). The LBHA is responsible for monitoring and improving behavioral health systems to provide better outcomes for residents, this includes efforts to address the ongoing opioid epidemic and behavioral health prevention initiatives around suicide, drug misuse and overdoses. Furthermore, the Health Department works to maintain a safe and healthy environment in St. Mary's through various efforts, such as the licensing and monitoring of food service facilities to prevent food-borne illnesses, water quality monitoring, oversight of permitting and issues relating to public sewage and septic systems, and rabies prevention and management.

Recreation and Parks

The Department of Recreation and Parks operates in collaboration with three advisory boards which are appointed by the Commissioners of St. Mary's County. These citizen advisory boards provide advice and assistance for supporting a comprehensive program of public recreation, parks and museums. The day-to-day operations of the department are carried out by a director, four division managers, and a staff of 40 full-time and approximately 450 part-time and/or seasonal employees.

The Recreation and Parks Department operates and manages 21 County parks; 16 public waterfront landings; various athletic facility sites; the Three Notch hiking/biking trail; the Wicomico Shores Golf Course and Riverview Restaurant/Banquet Facility; the St. Clement's Island Museum; the Little Red Schoolhouse; and the Piney Point Lighthouse, Museum and Historic Park. The Department also manages a historic shipwreck dive preserve; and the Drayden African American Schoolhouse. The Recreation Division manages the Gymnastics Center; Leonard Hall, Margaret Brent, Hollywood and Carver Recreation Centers; Chancellor's Run Activity Center; a skate park; a water sprayground; a disc golf course; and the Great Mills Swimming Pool.

Hundreds of youth and adult programs and services are offered each year and encompass a broad range of educational, leisure and sports activities. The Department also operates School Age Care school programs, summer camps, sports, special events, trips and tours.

Department of Land Use and Growth Management

The Department of Land Use and Growth Management (LUGM) is responsible for land use planning, zoning, site development review, permits, Critical Area, Floodplain and Stormwater Management reviews, zoning inspections, and final approval/issuing certificates of use and occupancy. Departmental staff is committed to fulfilling its responsibilities to promote quality development, quality of life and protect the environmental and historic resources of St. Mary's County.

Roads and Highways

There are 1,675 County maintained roadways encompassing approximately 821 linear miles. The County's fiscal year 2020 operating budget for the County Highways Division in the Department of Public Works and Transportation is \$5,175,196. The approved fiscal year 2020 capital budget for various highway projects includes projects totaling \$17,096,367. The fiscal year 2020 State Highway User revenue is estimated to be \$1,918,422 with an estimated \$1,194,063 of unobligated State Aid available for capital projects, as of September 30 2019.

Solid Waste

Curbside trash collection is provided by private haulers. Citizens can also dispose of trash and recyclables at the six residential Convenience Centers located throughout the County. Rubble, yard waste, scrap metal/white goods, scrap tires, and oversized trash loads from residents continue to be collected at the St. Andrews Landfill. All wood/yard waste is ground into mulch and available for pick up by the citizens. The County also maintains a collection facility permit and haulers license for the scrap tires.

Included in the 270-acre Landfill site is a State permitted 55-acre approved disposal cell for future expansion. The County also maintains a State refuse disposal permit and operating license for the operation of a transfer station and processing facility as an additional contingency planning initiative. The site continues to operate under an environmental monitoring and gas remediation plan approved by the Maryland Department of the Environment (“MDE”).

The County exports approximately 18,000-20,000 tons per year of municipal solid waste (collected at the Convenience Centers) and 6,000-7,000 tons of rubble (collected at the Landfill) to a combination of resource recovery /waste-to-energy facilities, and regional Subtitle D landfills (i.e. King George County, VA; Calvert County, MD). This will continue until the County determines to initiate a landfill expansion or construction of the approved transfer station and processing facility.

An enterprise fund has also been established to fund the Solid Waste and Recycling programs, which included implementation of an Environmental and Solid Waste Service Fee Ordinance, adopted on May 15, 2007. Ordinance 2018-13 was adopted on May 15, 2018 increasing the rate from \$72 to \$91 per improved residential property and includes an automatic 2% annual increase. Effective July 1, 2020, the fee will increase to \$94.68 for FY2021.

The County’s Comprehensive Solid Waste Management and Recycling Plan update was formally approved by the MDE on December 23, 2015. The approved 2017 CY Maryland Recycling Rate was 29.91%. The County continues to maintain recycling percentages above the State mandated goal of 20% for Counties with a population of 150,000 or less.

COUNTY REVENUES

General

The County’s principal source of revenue is taxes, 44.32% of which are expected to be derived from ad valorem property taxes in fiscal year 2020.

The County’s second most important source of revenue is income taxes. As a percentage of total general fund revenue, income tax is expected to be 40.01% of total revenue for fiscal year 2020.

The following table shows the various sources of revenue for the five most recent fiscal years ended June 30 for which audited data are available:

General Fund Summary of Revenues					
	2019	2018	2017	2016	2015
Taxes – Local Property	\$110,200,973	\$109,091,603	\$107,137,471	\$105,273,048	\$104,538,846
– Local Income Tax.....	97,443,439	90,410,603	88,167,869	85,525,116	81,002,813
– Local Other	8,927,308	8,441,786	8,231,872	7,791,980	7,397,844
– State Shared	1,674,910	1,187,782	900,948	901,966	762,266
Licenses and Permits.....	1,613,395	1,533,483	1,654,929	1,574,154	1,581,154
Intergovernmental Revenue	6,193,223	7,105,344	9,837,258	9,859,122	10,364,668
Charges for Services	3,060,721	2,975,831	3,832,461	2,658,430	3,147,128
Fines and Forfeits.....	66,592	26,758	26,481	31,929	49,262
Miscellaneous	2,101,369	992,605	410,799	188,672	225,710
Total Revenues	<u>\$231,281,931</u>	<u>\$221,765,796</u>	<u>\$220,200,088</u>	<u>\$213,804,417</u>	<u>\$209,069,691</u>

Source: St. Mary’s County Audited Financial Statements.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency.

For State and County real property tax purposes, real property is valued at market value and assessed at 100% of market value. In order to make real property tax bills simpler and easier to understand, the General Assembly, under Chapter 80 of the Acts of 2000, has required that property tax rates on real property be based on a full cash value assessment. As a result, on October 1, 2000, real property tax rates were reduced to 40% of the rate effective July 1, 2000. Beginning in fiscal year 1992, a Homestead Tax Credit is applied to some owner-occupied residential property which limits the amount of assessment increase that can be taxed. The increase is limited to a range from 0% to 10%, which is set by the Commissioners of St. Mary's County annually. The current rate for St. Mary's County is 3% as of July 1, 2019. All property is physically inspected once every three years and any increase in full cash value arising from a new property valuation phased in over the ensuing three taxable years in equal annual installments.

Tangible business personal property is assessed at cost in the year of acquisition. A 10% depreciation rate per annum is applied and property will not be depreciated below 25% of original cost. Commercial and manufacturing inventory of business is assessed at cost and is determined from annual reports filed with the State Department of Assessments and Taxation. The County provides a 100% exemption for five categories of personal property (commercial inventory, manufacturing inventory, manufacturing machinery, farm implements and livestock).

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale which indicates a maximum property tax liability for various income levels. The amount the County will provide in tax credits to homeowners in any given fiscal year will be offset by a 100% reimbursement from the State. Additionally, the County enacted a "Senior Tax Credit". This credit which is funded from County property tax revenues is provided for citizens who are age 70 and above and who receive the State's credit. Starting in fiscal year 2007, the County added a "Senior Tax Cap Credit" to cap the amount of assessment that is billed to seniors, this enables them to only pay increases if the property rate increases, not the assessment. Enabling legislation passed by the State in the 2016 General Assembly session, codified at Section 9-258 of the Tax-Property Article of the Annotated Code of Maryland, allowed counties to offer up to a 20% Senior Tax Credit for those that are 65 years old and have either lived in the same dwelling for at least the preceding 40 years or who are retired veterans. The County increased their Senior Credits for the fiscal year 2018 budget to include a 10% credit. Taxes saved by the qualifying senior residents as a result of these programs are \$1,050,000 in fiscal year 2020.

Assessed Values and Tax Rates

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years for which audited data are available and the County and State tax rates applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State, and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating approximately \$2.2 billion for the fiscal year ended 2019, are not included in the table. Under applicable law, there are no limits on the property tax rates as set forth in the table.

	2019	2018	2017	2016	2015
Assessed Value					
Real Property	\$12,333,009,947	\$12,137,669,785	\$11,925,897,890	\$11,761,829,760	\$11,586,454,810
Personal Property Locally Assessed ...	7,750,000	8,497,100	16,043,500	16,416,300	16,797,000
Public Utilities	136,388,000	124,505,000	117,468,000	114,224,000	127,773,000
Business Corporation	147,250,000	161,444,900	144,391,500	147,746,700	151,173,000
Total Base	\$12,624,397,947	\$12,432,116,785	\$12,203,800,890	\$12,040,216,760	\$11,882,197,810
County Tax Rate*8478	.8478	.852	.852	.857
State Tax Rate*112	.112	.112	.112	.112

* Per \$100 of Assessed Value

Source: St. Mary's County Department of Finance.

The assessable base amounted to \$12,849,448,781 for fiscal year 2020 and is projected to be \$13,200,507,568 in fiscal year 2021. The property tax rate remained the same in fiscal year 2020 of \$0.8478 for Real Property and \$2.1195 for Non-Real Property.

Tax Levies and Collections

County taxes are due and payable as of July 1 of each year and the County records property tax revenues as the taxes are billed. A 100% allowance for uncollectibles is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1% per month) is charged for each month or fraction thereof that real property taxes remain unpaid for the current year plus a 3% one-time penalty for all unpaid County real property taxes due in that levy year. For personal property, the percentages are 1% per month and a 3% one-time penalty. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County Treasurer in the year following delinquency. Maryland Department of Assessments and Taxation has approved a service charge of .47% of the amount of tax due at the second installment to cover lost interest income and administrative expenses associated with the semiannual payment schedule pursuant to Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years ended June 30 for which audited data are available.

Fiscal Year	Total Tax Levy	Current Year's Taxes Collected in Year of Levy		Total Taxes Collected (Current and Delinquent)		Accumulated Delinquent Taxes % of Current Year's Levy	
		Amount	%	Amount	%	Amount	%
2019	\$110,983,565	\$109,426,015	98.6%	\$111,245,021	100.2%	\$2,108,555	1.9%
2018	109,347,485	107,800,346	98.6%	109,584,832	100.2%	2,370,011	2.2%
2017	107,222,545	105,463,240	98.3%	107,397,631	100.2%	2,607,358	2.4%
2016	105,661,298	103,835,253	98.2%	106,592,053	100.8%	2,782,444	2.6%
2015	104,948,981	102,532,660	97.7%	105,143,931	100.2%	3,713,199	3.5%

Source: St. Mary's County Department of Finance.

County's Largest Taxpayers

The following table sets forth a list of the County's ten largest taxpayers in respect of ad valorem property taxes for fiscal year 2020.

St. Mary's County Ten Largest Taxpayers (Real and Personal Property Assessments)

Owner	Assessed Valuation	Percentage of 2020 Assessed Valuation	Description of Business
Southern Maryland Elect Co-op	\$ 93,135,400	0.7%	Utilities
Third Exploration	78,060,166	0.6%	Commercial Real Estate
Abberley Farms	77,772,334	0.6%	Apartments
Mid-Atlantic Military	52,723,800	0.4%	Military Housing
Saxon Woods	42,025,790	0.3%	Residential Real Estate
Burch Oil Company	37,222,833	0.3%	Oil Company
GMF LX Owner LLC	33,089,267	0.3%	Real Estate Investments
GANS Communication	32,462,460	0.3%	Cable/Internet
Settlers Landing Apartments	31,560,633	0.2%	Apartments
Wettenggel	31,207,800	0.2%	Real Estate Investments
Total FY2020 Assessments	\$ 509,260,483		
Total FY2020 Final Total	\$12,849,448,781	4.0%	

Source: St. Mary's County Treasurer's Office.

Income Tax

The rate of local income taxation is set by the County, but collections are administered by the State. The local income tax is levied as a percentage of Maryland taxable income. Alternatively, the County must levy a local income tax at a rate equal to at least 1.00%, but not in excess of 3.20%. The County's local income tax rate increased to 3.17% as of January 1, 2020. A distribution to the County of local income tax collections are made by the State in ten periodic payments.

On May 18, 2015, the United States Supreme Court issued its decision in *Comptroller of the Treasury of Maryland v. Wynne Et Ux*. In that case, the Supreme Court affirmed the judgment of the Court of Appeals of Maryland that Maryland counties are prohibited from collecting personal income taxes from their residents to the extent that the income was earned in another state and was subject to income taxation by the other state. As a result, each Maryland county, including the County, is likely to realize a reduction in future income tax revenue distributions from the State of Maryland. In addition, taxpayers who were eligible to claim the credit on their local income tax returns for certain prior years may be eligible for refunds. Any eligible refunds will be paid by the State and the State will withhold the County's share of such refunds and interest over the twenty quarterly income tax distributions made by the State to the County, beginning with the February 2021 quarterly distribution. The County believes that neither the reduction in future income tax distributions nor any refund amounts withheld from its quarterly distributions will have a material impact on County revenues.

STATE AND FEDERAL ASSISTANCE

During fiscal year 2019, the County received intergovernmental State and Federal grants for operating purposes in the amount of \$6,193,223. Included in that amount are \$944,870 for State aid for police protection, \$694,871 for Cooperative Reimbursement Agreements, \$1,226,595 for transportation services, and various other grants for social services, public safety, recreation, and economic development.

The State also shares motor vehicle related revenues with the counties (motor fuel taxes, vehicle titling taxes, registration fees) and the funds are distributed based on road mileage and vehicle registrations. This State-shared tax distribution amounted to \$1,674,910 for St. Mary's County in fiscal year 2019.

Unrestricted state aid for public education in St. Mary's County for fiscal year 2019 amounted to \$105,984,960 and Federal impact aid amounted to \$2,596,323. Fiscal year 2020 unrestricted state aid is estimated to be \$109,875,976, and unrestricted Federal impact aid revenues are projected to be \$2,765,300. State and Federal revenues for education are accounted for in the County budget process but are received directly by the Board of Education and are not recorded in the County government financial records.

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SUMMARY OF REVENUES AND EXPENDITURES

The following table indicates the General Fund revenues and expenditures for the five most recent fiscal years ended June 30 for which audited data are available.

General Fund Statement of Operating Revenues and Expenditures

	2019	2018	2017	2016	2015
Operating Revenues					
Property Taxes	\$110,200,973	\$109,091,603	\$107,137,471	\$105,273,048	\$104,538,846
Income Taxes	97,443,439	90,410,603	88,167,869	85,525,116	81,002,813
Other Local Taxes	8,927,308	8,441,786	8,231,872	7,791,980	7,397,844
Highway User Revenues	1,674,910	1,187,782	900,948	901,966	762,266
Licenses & Permits	1,547,506	1,533,482	1,654,929	1,574,154	1,581,154
Intergovernmental	6,193,223	7,105,344	9,837,258	9,859,122	10,364,668
Charges for Services	3,365,994	3,023,296	3,895,412	2,679,243	3,048,393
Fines & Forfeitures	223,225	376,635	289,646	212,776	264,853
Other Revenues	2,077,767	1,132,282	527,714	345,909	469,855
Total Revenues	\$231,654,345	\$222,302,813	\$220,643,119	\$214,163,314	\$209,430,692
Expenditures					
General Government	\$23,672,862	\$22,039,539	\$22,324,501	\$21,943,087	\$20,662,550
Public Safety	45,633,466	41,447,745	41,428,865	43,357,939	38,266,497
Public Works	10,381,218	12,730,147	9,019,174	9,288,129	9,076,657
Health	2,789,716	3,024,679	7,048,799	7,383,969	7,038,830
Social Services	4,418,434	4,278,970	4,213,410	4,356,043	4,114,893
Primary & Secondary Education	106,264,748	104,290,217	104,704,831	99,922,025	95,846,940
Post-Secondary Education	4,375,137	4,272,365	4,267,365	4,257,845	3,995,506
Parks, Recreation & Culture	4,053,440	3,879,847	3,848,472	3,855,553	3,800,521
Libraries	2,878,050	2,800,572	2,684,574	2,588,064	2,498,064
Conservation of Natural Resources	680,202	361,450	533,329	478,171	491,408
Economic Development & Opportunity	2,463,971	2,773,722	2,118,755	1,818,051	1,515,675
Debt Service	11,635,436	11,228,198	10,012,559	9,356,779	9,787,899
Other, principally OPEB	4,163,946	3,222,191	3,197,456	9,700,366	7,036,710
Total Expenditures	\$223,410,626	\$216,349,642	\$215,402,090	\$218,305,921	\$204,132,150
Excess of Revenues Over (Under) Expenditures	\$8,243,719	\$5,953,171	\$5,241,029	(\$4,142,607)	\$5,298,542
Other Financing Sources & Uses					
Exempt Financing Proceeds	\$0	\$4,757,943	\$0	\$2,917,045	\$1,659,342
Subsidy to Enterprise Fund	0	0	0	0	(950,000)
Capital Projects-General Fund Pay-Go	(2,774,891)	(365,518)	2,972,992	(5,790,621)	(3,815,092)
Total Other Financing Sources & Uses	(\$2,774,891)	\$4,392,425	\$2,972,992	(\$2,873,576)	(\$3,105,750)
Net Increase (Decrease) in Fund Balances	\$5,468,828	\$10,345,596	\$8,214,021	(\$7,016,183)	\$2,192,792
FUND BALANCE					
Beginning of the year	\$60,176,802	\$49,831,206	\$41,617,185	\$48,633,368	\$46,440,576
End of Year	\$65,645,630	\$60,176,802	\$49,831,206	\$41,617,185	\$48,633,368

Source: St. Mary's County Department of Finance.

General Fund Summary of Fund Balance Fiscal Years Ended June 30

	2019	2018	2017	2016	2015
Fund Balances					
Non-Spendable	\$2,091,715	\$2,232,100	\$2,163,987	\$2,182,860	\$2,233,637
Restricted	289,194	229,487	292,383	1,744,731	1,795,465
Committed	30,800,334	17,334,227	14,955,021	14,955,021	26,425,661
Assigned	2,118,088	3,879,316	2,025,064	1,207,947	1,498,441
Unassigned	30,346,299	36,501,672	30,394,751	21,526,626	16,680,164
Total Fund Balance	\$65,645,630	\$60,176,802	\$49,831,206	\$41,617,185	\$48,633,368

Source: St. Mary's County Department of Finance.

FISCAL YEAR 2020 BUDGET

The approved General Fund Operating Budget for fiscal year 2020 is \$253,113,474, includes the use of fund balance of \$14,881,410, an increase of \$22,958,031 or 10% when compared to the fiscal year 2019 budget of \$230,155,443. The budget is financed with a property tax rate of \$0.8478 per \$100 of assessed valuation for real property and \$2.1195 per \$100 of assessed valuation on personal and other operating property, which is the same rate as fiscal year 2019. The local income tax rate increased to 3.17% of the individual's State taxable income as of January 1, 2020.

The approved fiscal year 2020 capital budget for St. Mary's County is \$81,700,793 and the five-year capital program planned for fiscal years 2021 through 2025 amounts to \$264,521,095.

The fiscal year 2020 budget is based on an estimated assessable base of \$12,865,607,000.

Some highlights of the fiscal year 2020 budget are:

- The County's recurring funding for the Sheriff's Office increased by 8.3% for non-grant activities. Funding increase primarily reflects 16 new employees, promotional ranks and equipment.
- The ADC project has construction funding starting in FY2020, for a total project cost of \$28.5 million. Project includes \$13.4 million of State funding. Funding for the Sheriff's Office includes a three-year phase-in of compensation study, with a merit and 1% COLA.
- The Board of Education recurring funding increased by 2.3%, which brings total county funding to \$106,242,921; State-mandated maintenance of effort requires \$103,156,261 based on official MSDE enrollment of 17,039.75. Funding for the BOE represents over 46% of the County's non-grant and recurring revenue. When combined with State and other funding, the Board of Education unrestricted operating is \$222,085,767, 3.7% increase over FY2019 Approved Budget.
- Recurring funding for County department-based activities and programs, excluding grants, increased by \$2.7 million, or 6.5%.
- Departments reflect a net increase of 19.25 positions and increased costs for public safety technology upgrades and maintenance.
- Funding for County Departments includes a three-year phase-in of compensation study, with a merit and 1% COLA.
- Fee related changes are included for Land Use & Growth Management, Public Works & Transportation, and Recreation & Parks Enterprise Fund.
- Mechanicsville Volunteer Rescue Squad rescue tax rate increased from .014 to .020.
- Economic Impact Fee phased in over five years adopted in FY2019. Based on dwelling size, year two of phase-in is set as follows:
 - Dwelling 0 – 1199 \$6,372
 - Dwelling 1200-2399 \$6,756
 - Dwelling 2400 – higher \$7,140

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Results for Fiscal Years 2018 and 2019 with Budgeted Data for Fiscal Year 2020

The following table summarizes audited General Fund revenues and expenditures for fiscal years 2018 and 2019 and the approved budget for fiscal year 2020. This information is presented on a budgetary basis.

	Audited 2018 Results	Audited 2019 Results	Approved 2020 Budget
Revenues:			
Property Taxes	\$109,091,603	\$110,200,973	\$112,192,561
Income Taxes	90,410,603	97,443,439	101,272,567
Highway User Fees	1,187,782	1,674,910	1,918,422
Other Local Taxes	9,459,656	9,914,301	9,795,000
Licenses and Permits	515,613	626,778	574,120
Grants	7,105,344	6,193,223	8,242,568
Service Charges	2,975,831	3,060,721	3,175,746
Fines and Forfeitures	26,758	66,592	26,500
Miscellaneous.....	992,605	2,101,369	1,034,580
Other Financing Sources	0	0	14,881,410
Total Revenues and Other Financing Sources	<u>\$221,765,795</u>	<u>\$231,281,931</u>	<u>\$253,113,474</u>
Expenditures:			
Current:			
General Government	\$23,151,778	\$23,888,081	\$27,308,144
Public Safety	42,703,131	45,781,223	51,232,181
Public Works	11,459,473	10,818,442	11,132,079
Public Health	3,024,679	2,789,716	2,963,453
Social Services	4,111,331	4,240,940	4,487,066
Education	108,562,582	110,639,884	113,444,891
Recreation and Culture	3,826,967	4,055,716	4,408,260
Libraries	2,800,572	2,878,050	2,964,146
Conservation of Natural Resources	572,705	613,642	655,783
Community Development & Housing			
Economic Development/ Opportunity	2,602,329	2,469,473	2,069,354
Debt Service	11,214,597	11,635,436	13,645,203
Intergovernmental.....	44,916	43,493	43,487
Retiree Health (OPEB)	3,135,991	3,392,169	3,300,000
Miscellaneous.....	44,383	23,560	70,000
Total Expenditures	<u>\$217,255,434</u>	<u>\$223,269,825</u>	<u>\$237,724,047</u>
Other Finance Uses:			
Reserves.....	294,206	669,697	2,400,000
Transfers.....	365,518	2,774,891	12,989,427
Total Expenditures and Other Financing Uses	<u>\$217,915,158</u>	<u>\$226,714,413</u>	<u>\$253,113,474</u>

Source: St. Mary’s County Department of Finance.

Current Developments

On March 5, 2020, the Governor of the State declared a state of emergency in response to the evolving outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. Subsequently, through a series of executive orders, the Governor closed all non-essential businesses in the State and directed all State residents to stay in their homes except to conduct essential activities. The Commissioners of St. Mary’s County declared a Local State of Emergency on April 7, 2020.

The County is assessing the potential impact of the COVID-19 outbreak on the Fiscal Year 2020 Budget, including the loss of projected revenues. At their April 21, 2020 meeting, the Commissioners took action to (1) approve a \$3 million

supplemental appropriation from the County’s fund balance to pay costs related to emergency expenses associated with COVID-19 and (2) implement a hiring freeze for all non-public safety positions and restrict all non-COVID-19 operational expenditures for the remainder of Fiscal Year 2020. The County’s Fiscal Year 2021 Budget is in the final stages of the approval process and includes additional reserves totaling \$1.7 million to address any shortfalls. However, the effects on the County’s Fiscal Year 2021 Budget and the loss of revenues cannot be fully predicted at this time, due to the dynamic nature of the COVID-19 outbreak and associated governmental responses and the continued spread of COVID-19 may adversely affect the financial condition of the County.

CERTAIN DEBT INFORMATION

General

The County may only issue general obligation bonds under authority conferred by legislation approved by the Maryland General Assembly. The General Assembly enacted legislation authorizing and empowering the County, from time to time, to borrow in the amounts listed below in order to finance the construction, improvement or development of public facilities in the County. Pursuant to such legislation, the County has previously issued general obligation bonds and currently has \$96,124,310 of remaining bond authority as set forth in the following table.

Bill	Original Amount	Amount Issued to Date	Available Balance
Ch. 96, 2013.....	\$ 30,000,000	\$ 14,775,690	\$ 15,224,310
Ch. 427, 2017.....	26,300,000	-	26,300,000
Ch. 109, 2018.....	24,600,000	-	24,600,000
Ch. 180, 2019.....	30,000,000	-	30,000,000
TOTAL	\$110,900,000	\$14,775,690	\$96,124,310

After the issuance of the Bonds, the County will have \$66,124,310 of remaining bond authority.

The County has also been authorized by the General Assembly to issue general obligation bonds or to engage in alternative financing arrangements in an aggregate amount not to exceed \$5,000,000 in order to establish a revolving fund for the purchase of firefighting and rescue equipment and facilities for volunteer fire and rescue squad organizations. (See “COUNTY SERVICES – Police and Fire”). This fund was established by the Commissioners of St. Mary’s County in 1998 and is providing low-interest loans to fire and rescue organizations.

Legal Debt Limitation

Unless and until otherwise provided by the Commissioners of St. Mary’s County within the limitations provided by public general law, the aggregate amount of bonds and other evidences of indebtedness outstanding at any one time may not exceed a total of the sum of 2.15% upon the assessable real property in the County other than operating real property of a public utility and 5% upon the assessable personal property and operating real property of a public utility. However, (1) tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months, (2) bonds or other evidences of indebtedness issued or guaranteed by the County payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or districts heretofore or hereafter established by law and (3) bonds or other evidences of indebtedness issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services are not subject to, or be included as bonds or evidences of indebtedness, in computing or applying the percent limitation described above.

All bonds or other evidences of indebtedness issued by the St. Mary’s Metropolitan Commission (the “Commission”) under the authority of the Metropolitan Commission Enabling Act are subject to the percent limitation described in the preceding paragraph, and are also subject to the debt limitation as from time to time provided in the Metropolitan Commission Enabling Act. Presently, the total principal amount of bonds issued pursuant to the Metropolitan Commission Enabling Act for any sanitary district may not exceed 25% of the assessed valuation within that sanitary district.

The following chart shows the County’s present legal debt margin.

**Schedule of Legal Debt Margin
of the County Under Existing Law**

Estimated assessed value as of July 1, 2019.....	\$12,809,677,190
Debt limit	2.15%
Borrowing limitation under the law	\$275,408,060
Outstanding debt issued as of July 1, 2019	\$190,779,953*
Debt margin as of July 1, 2019.....	\$84,628,107
Ratio of debt to assessed value.....	1.49%

*Includes only debt which is subject to the legal debt limitation. The estimated assessed value represents the Final Assessment from State Department of Assessments - March 31, 2019 - SDAT Website.

Includes the debt of the Commission as of July 1, 2019 in the amount of \$97,128,499 plus the County’s debt of \$93,651,454.

Other County Debt

The County is contingently liable as guarantor of bonds issued by the Commission under the Metropolitan Commission Enabling Act. Commission bonds are payable in the first instance from the benefit assessments and connection and service charges. The County expects these funds to be adequate to cover debt service on the Commission’s bonds. All bonds or other evidences of indebtedness issued by the Commission are subject to the County debt limitation. (See “COUNTY SERVICES – Water Supply and Sewerage”.)

Schedule of Debt Service Requirements

The following tables set forth the schedule of debt service requirements for certain County debt outstanding as of June 30, 2019.

Fiscal Year	General Obligation Bonds, Notes and Loans ⁽¹⁾		Total Debt Service ⁽²⁾
	Principal	Interest	
2020.....	\$11,555,954	\$3,141,143	\$14,697,097
2021.....	8,693,994	2,855,838	11,549,832
2022.....	8,966,365	2,593,961	11,560,326
2023.....	6,333,071	2,332,439	8,665,510
2024.....	6,542,071	2,104,051	8,646,122
2025.....	5,042,071	1,901,838	6,943,909
2026.....	4,017,768	1,711,188	5,728,956
2027.....	4,154,131	1,524,613	5,678,744
2028.....	4,324,131	1,336,313	5,660,444
2029.....	4,505,499	1,146,213	5,651,712
2030.....	4,700,499	947,788	5,648,287
2031.....	3,010,499	807,638	3,818,137
2032.....	3,105,010	726,709	3,831,719
2033.....	3,215,000	633,538	3,848,538
2034.....	3,350,000	528,331	3,878,331
2035.....	3,485,000	422,556	3,907,556
2036.....	3,615,000	316,231	3,931,231
2037.....	3,750,000	204,794	3,954,794
2038.....	2,040,000	112,369	2,152,369
2039.....	2,114,994	38,331	2,153,325
Total.....	\$96,521,057	\$25,385,882	\$121,906,939

(1) Source: St. Mary’s County Department of Finance.

(2) Totals may not add due to rounding.

**Schedule of Debt Service Requirements
As Adjusted to Reflect the Issuance of the Bonds**

Consolidated Public Improvement Bonds, Series 2020

Fiscal Year	Debt Service⁽¹⁾	Principal	Interest⁽²⁾	Adjusted Total Debt Service⁽¹⁾
2020.....	\$14,697,097	\$ -	\$ -	\$ 14,697,097
2021.....	11,549,832	1,020,000	988,494	13,558,326
2022.....	11,560,326	1,040,000	968,650	13,568,976
2023.....	8,665,510	1,095,000	916,650	10,677,160
2024.....	8,646,122	1,145,000	861,900	10,653,022
2025.....	6,943,909	1,205,000	804,650	8,953,559
2026.....	5,728,956	1,230,000	780,550	7,739,506
2027.....	5,678,744	1,290,000	719,050	7,687,794
2028.....	5,660,444	1,355,000	654,550	7,669,994
2029.....	5,651,712	1,420,000	586,800	7,658,512
2030.....	5,648,287	1,495,000	515,800	7,659,087
2031.....	3,818,137	1,570,000	441,050	5,829,187
2032.....	3,831,719	1,645,000	362,550	5,839,269
2033.....	3,848,538	1,680,000	329,650	5,858,188
2034.....	3,878,331	1,715,000	296,050	5,889,381
2035.....	3,907,556	1,745,000	261,750	5,914,306
2036.....	3,931,231	1,785,000	224,669	5,940,900
2037.....	3,954,794	1,825,000	184,506	5,964,300
2038.....	2,152,369	1,870,000	141,163	4,163,532
2039.....	2,153,325	1,910,000	96,750	4,160,075
2040.....	-	1,960,000	49,000	2,009,000
Total.....	\$121,906,939	\$30,000,000	\$10,184,232	\$162,091,171

(1) Totals may not add due to rounding.

(2) Interest rates range from 2.00% to 5.00%.

The following table sets forth the County's long-term debt per capita and ratios of debt to assessed value and debt to estimated market value for the five most recent fiscal years for which audited data are available.

Fiscal Year	County Debt	Estimated Population	Estimated Market Value	Net Debt Per Capita	Debt to Estimated Value
2019.....	\$96,521,057	112,664	\$12,624,397,947	\$856	.76%
2018.....	\$77,355,480	112,664	\$12,432,116,785	\$686	.62%
2017.....	\$84,871,331	112,413	\$12,203,800,890	\$754	.69%
2016.....	\$70,716,635	111,689	\$12,040,216,760	\$633	.58%
2015.....	\$78,220,531	110,965	\$11,882,197,810	\$704	.65%

Source: St. Mary's County Office of Finance. Audit less Special Assessment Debt

The following table sets forth the County's debt service expenditures, exclusive of debt service in respect of Metropolitan Commission bonds as a percentage of General Fund revenues for the five most recent fiscal years ended June 30 for which audited data are available.

Fiscal Year	General Fund Revenues	Debt Service Expenditures	Percentage
2019.....	\$231,654,345	\$13,876,853	5.9%
2018.....	\$222,302,813	\$13,574,608	6.1%
2017.....	\$220,643,119	\$13,538,328	6.1%
2016.....	\$214,163,314	\$13,039,671	6.0%
2015.....	\$209,430,692	\$12,994,217	6.2%

Source: St. Mary's County Department of Finance.

The County has an above average rate of debt retirement as shown in the following table:

Rapidity of Debt Amortization*
Fiscal Years 2020-2038

Number of Years	Principal Retired	Percent of Debt Retired
5	\$42,091,455	43.6%
10	\$22,043,600	66.4%
15	\$17,381,008	84.5%
20	\$15,004,994	100.0%

*Does not include the Bonds offered herein.

Capital Financing

The Commissioners of St. Mary’s County has developed the County’s capital budget and program to meet the demands of growth and an aging infrastructure. The fiscal year 2020 budget, \$81.7 million, reflects several projects related to the expansion and renovation of County Roads – specifically the Patuxent Park Neighborhood Preservation Program. The Board’s attention continues to be directed to the need for additions and renovations to public school facilities, highway maintenance, park expansion and development projects, and various other public improvements. Almost 46% of the budget is to be financed from bond proceeds while the balance of the financing comes from other local revenue sources and State and Federal funds.

The adopted five-year capital program for fiscal year 2021 through 2025 amounts to \$264.5 million. Approximately 22% of the program is targeted for public school projects and almost 16% is planned for various public facility projects. The program also includes Adult Detention Center Upgrades and Public Schools Safety and Security, various park projects, and agricultural land preservation projects. The County’s financial planning for the capital budget and program attempts to provide a balanced approach which utilizes current revenues (transfer taxes, impact fees) as well as bonded indebtedness. The financial plan for fiscal years 2021 through 2025 is structured to provide overall project financing as follows: 49% from general obligation bonds, 15% from current revenues (transfer taxes and impact fees), and 36% from State, Federal and other sources. The following table presents the capital budget and five-year capital program as adopted by the Commissioners of St. Mary’s County.

Fiscal Year 2019 Capital Improvements Budget and Program

Capital Project	Total Project Cost	Approved Budget FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Capital Project Summary:							
Public Facilities	\$75,468,620	\$31,983,020	\$29,647,700	\$12,249,900	\$ 893,000	\$ 695,000	\$ 0
Land Conservation	46,614,138	8,947,473	7,533,333	7,533,333	7,533,333	7,533,333	7,533,333
Highways	74,300,480	17,096,367	16,744,506	12,604,256	8,850,801	10,771,314	8,233,236
Marine	14,364,090	1,277,440	267,650	716,000	6,051,500	6,051,500	0
Recreation & Parks	62,850,998	8,738,931	11,018,818	5,732,706	8,631,431	9,801,431	18,927,681
Solid Waste	625,000	80,000	545,000	0	0	0	0
Public Schools	71,998,562	13,577,562	17,795,000	11,745,000	16,068,000	9,135,000	3,678,000
Total Capital Projects	\$346,221,888	\$81,700,793	\$83,552,007	\$50,581,195	\$48,028,065	\$43,987,578	\$38,372,250
Capital Project Financing:							
County Bonds	\$165,703,055	\$36,918,003	\$37,166,926	\$26,177,563	\$22,043,455	\$23,701,968	\$19,695,140
Transfer Tax	37,179,189	6,275,189	6,140,000	6,160,000	6,200,000	6,200,000	6,204,000
Impact Fees	8,436,550	320,000	7,036,550	360,000	340,000	190,000	190,000
General Fund Transfer	13,753,873	12,989,427	764,446	0	0	0	0
State/Federal Funds	108,163,216	23,166,745	30,536,225	16,996,953	18,557,931	13,008,931	5,896,431
Other Sources	12,986,005	2,031,429	1,907,860	886,679	886,679	886,679	6,386,679
Total Project Financing	\$346,221,888	\$81,700,793	\$83,552,007	\$50,581,195	\$48,028,065	\$43,987,578	\$38,372,250

Source: St. Mary’s County Department of Finance.

Future Plans to Issue County Debt

The County has no plans to issue additional bonds in calendar year 2020 based on the current CIP plan.

CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS

Economic Growth and Development

The Commissioners of St. Mary's County has maintained a philosophy of protecting and growing the mission of the Naval Air Station Patuxent River and assisting local defense, manufacturing, hospitality, agriculture, and aquaculture businesses; directing commercial and high-density residential growth to the development districts and protecting the County's rural character. Integral to the efficient execution of this philosophy was the creation of the Department of Economic Development (DED). The Department's objectives include defense and high-technology industry growth and diversification; entrepreneurial development, new business incubation; expansion of the tourism, agriculture, and aquaculture industries; labor force development; and infrastructure improvements. Activities include marketing and public relations; policy development; information collection and dissemination; market expansion for existing businesses; workforce development; recruitment of businesses in targeted industries; liaison to private and public resources; and technical assistance. The Department has coordinated public-private partnerships to provide business and community development assistance with partners that include the St. Mary's Chamber of Commerce, St. Mary's County Community Development Corporation, Small Business Development Center, the College of Southern Maryland, Southern Maryland Navy Alliance, The Patuxent Partnership and numerous State of Maryland agencies.

In 2014, an Economic Development Commission (EDC) was established and charged with the development of a strategic plan to reduce the County's reliance on defense spending by broadening the local economy. Consultants from the University of Maryland and Towson University completed industry cluster and innovation network analyses, comparative studies on cyber security, irregular warfare and unmanned systems, baseline economic studies on agriculture, and SWOT analyses on advanced manufacturing, defense, retail, service and agriculture and seafood businesses. In 2015, a private firm was engaged to analyze the County's tourism and hospitality industry with an eye to increasing quality of life aspects that support the retention and growth of a highly skilled workforce. The EDC guided the development of these studies and DED published "A Strategic Plan for Building an Innovation Driven Economy," which the Commissioners adopted in early 2017. The data and information provided in the section below, titled "Non-Defense Industries and Technology Commercialization" provides insight to the EDC's plan to broaden the local economy.

U.S. Naval Facilities

The Naval Air Station Patuxent River ("Pax River") is headquarters for the Naval Air Warfare Center Aircraft Division (NAWCAD) and Naval Air Systems Command (NAVAIR) and more than 50 other tenant commands. Pax River has been in the County since 1941. Consolidation and expansion in the 1990s made Pax River the Navy's research, development, test and evaluation, engineering and fleet support and acquisition center for all air platforms. Today, approximately 25,000 workers support the Navy in St. Mary's County. Specialized labs and expertise support technologies including aerial vehicles, propulsion, man-machine interface, crew survivability, training, test and evaluation, rapid prototyping, and logistics.

The consolidation of activities at Pax River triggered the growth of high-technology businesses in the County. In fact, the number of technology workers has quintupled in the last ten years. Over 200 technology companies are located in St. Mary's County, many of them supporting NAWCAD and NAVAIR in support contracting, engineering, and test and evaluation roles.

According to a Maryland Department of Commerce study on the economic impact of military installations in the State, Pax River generated the second highest annual economic output (\$8.7 billion) of the 17 installations in Maryland. Pax River ranked third in size of workforce (61,132 - includes direct, indirect and induced) of all military installations in Maryland as of 2016.

Non-Defense Industries and Technology Commercialization

St. Mary's County was instrumental in working with the Maryland Department of Commerce to bring about a grant through the federal Department of Commerce, Office of Economic Adjustment (OEA) to fund a pilot project to explore opportunities to commercialize federal patents. At the time of application, there were 1,500 patents solely tied to individuals residing in Southern Maryland. Based on this finding, a scope of work was approved to analyze the commercial potential of Navy patents generated from two naval facilities located in Southern Maryland, one in Dahlgren, Virginia (which borders Charles County) and the Naval Research Laboratory headquartered in nearby Washington, D.C. The findings of the project culminated in multiple projects and activities. These include the establishment of a user-friendly patent data-base including recommendations about their commercial potential, the establishment of an Accelerator for the Crab Pot Pitch Competition, a

local startup pitch contest to promote entrepreneurship and innovation in the County and region, the establishment of an online innovation resource portal to better connect entrepreneurs and innovators with existing resources and support networks, and the undertaking of a regional initiative to understand what Southern Maryland can do to enhance innovation and improve the quality of life and attractiveness of the region to an already innovation-focused workforce.

As part of the OEA-funded project, local defense contracting companies were assessed for dependency on defense spending. These efforts supported the development of the Maryland Defense Network and the Maryland Defense Diversification Assistance Program. Companies that are identified as overly dependent on the Department of Defense are targeted for technical support in the exploration of new markets with these programs. A manual providing instructions on licensing federal technologies and pursuing Small Business Innovative Research grants and other funding sources was published.

Unmanned and Autonomous Systems

St. Mary's County is leveraging many of its assets in the field of unmanned and autonomous systems (UAS). The University of Maryland (UMD) established a site for testing unmanned aircraft systems at the St. Mary's County Regional Airport with an auxiliary airstrip located on Maryland's Eastern Shore in 2014. Since then, the test site has become one of the busiest sites for the testing of unmanned and autonomous systems in the country.

University System of Maryland (USM) merged with the Southern Maryland Higher Education Center in 2019 to become the University System of Maryland at Southern Maryland (USMSM). Furthermore, in 2019 USMSM began building an 80,000-sq. ft. UAS-focused research facility on the campus located directly adjacent to the Regional Airport. Construction of this facility began in fiscal year 2019 with the opening anticipated in late calendar year 2021. Research conducted by UMD will entail unmanned and autonomous systems testing in a laboratory environment and in the air, on ground and underwater. The County is one of the few locations in the nation that can support such testing in both restricted and unrestricted air space, on ground and underwater as the County is a peninsula bordered by the Patuxent and Potomac Rivers. As UAS can be used for many commercial purposes, the County's locational advantages for testing and the investment in research facilities will allow the County to attract non-defense UAS work and spur the creation of new technology businesses.

TechPort UAS Business Incubator

In 2016, the County received a \$2 million federal grant to establish a technology startup incubator focused on UAS and technology commercialization. Named TechPort UAS Incubator, the 6,000-sq. ft. incubator, which sits adjacent to the UMD UAS Test Site at the Regional Airport, was completed in 2017. The design of the incubator includes co-working spaces, a conference/classroom, private offices and 2,500 sq. ft. of lab space. UMD was selected by St. Mary's County to grow and professionally manage the incubator to be a hub of startup and innovation activity. The County oversees the TechPort Incubator through a contract with the University of Maryland. By coming under the management of UMD, TechPort can offer member startups access to resources such as labs, facilities, and expertise and networks, as well as the University of Maryland's UM Ventures' venture capital opportunities, including the Maryland Momentum Fund. Business coaching and technical advice is also provided by the TechPort Director. Virtual membership is available for those desiring consulting services but not physical space.

Enhancing the Growth of Technology Start-Ups

Economic Development staff assist start-ups with a variety of services, including providing information on resources such as funding, networking contacts, space needs, and referral to other services such as the Small Business Development Center.

During the last few years, the County has invested funding and devoted staffing toward the development of an initiative to support technology business start-ups. This effort has been pursued in cooperation with the Naval Air Warfare Center Aircraft Division Technology Transfer Office, the University of Maryland Unmanned Aircraft Systems Test Site, and the Maryland Technology Development Corporation (TEDCO). Called Southern Maryland Innovates (formerly Southern Maryland Innovation and Technology - SMIT), this initiative has matured to the point where there is collaboration and joint programming with St. Mary's and Calvert County offices of economic development. Furthermore, the Technology Transfer Offices of both the Naval Surface Warfare Centers at Indian Head in Charles County and Dahlgren in King Georges County, VA are actively participating along with the College of Southern Maryland Entrepreneur and Innovation Institute and the Maryland Department of Commerce.

One of the department's strategic priorities is to attract and retain a young and talented workforce. In 2019, the Department of Economic Development engaged a firm who conducted an in-depth focus group with young professionals (19-37 years old) to determine satisfaction with the area and identify desired amenities. This focus group continues to serve as a way of engaging the younger workforce in St. Mary's County's economic growth and quality of life improvement, creating representatives and liaisons to the broader community.

Advanced Manufacturing

Currently, advanced manufacturing businesses generate the third highest wages of any industry sector in St. Mary's County. These jobs entail rapid-prototyping, fabrication, assembly, and systems integration. Several of the advanced manufacturing companies are exporting products internationally, exhibiting in international trade shows and participating in state-sponsored trade missions. As the Naval Air Warfare Center Aircraft Division (NAWC-AD) is the lead systems integrator for naval aviation to support existing platforms versus purchasing entirely new aircraft, St. Mary's County's manufacturers are well positioned to secure much of the work the Navy is now directing to small businesses versus large plane manufacturers.

Public and Private Investment in the St. Mary's County Regional Airport

The St. Mary's County Regional Airport opened for general aviation use in 1969. Since 1987, the County has engaged in public-private partnerships to provide the necessary capital to build aircraft T and box hangers and commercial business facilities.

Between 1987 and 2010, private investment in the airport totaled \$7.5 million. Larger hangers, a maintenance facility, and office space was constructed along with separate hangers to house the MD State Police Aviation Division – Trooper 7 and the MedStar Transport for inter-hospital transport of critically ill or critically injured patients.

St. Mary's County Regional Airport is the fastest growing General Aviation airport in Maryland. Nearly 200 aircraft live at the airport, surpassing projections that anticipated less than 120 by 2020. Due to this growth, the Airport is undergoing a multi-million-dollar expansion project through collaborative efforts of private industry, St. Mary's County Government, the State of Maryland and the FAA. The current runway is 4,150 ft. and is extending to 5,350 ft. to accommodate larger aircraft and corporate jets. The St. Mary's County Regional Airport currently has more construction activity than any other part of the County.

Since opening of the UMD UAS Test Site, TechPort UAS Business Incubator, and the announcement of the UMD research facility, company demand to locate at the airport has been considerable and is expected to increase in the years to come. There is County and privately owned, undeveloped land on both the north and south side of the runway. The County is completing site development work on 35 acres with airport access to be shovel ready for new tenants. Using public-private partnerships, the County has ensured that facilities at or near the airport will scale as needed to accommodate this demand. The Regional Airport's co-location with the University System of Maryland at Southern Maryland, surrounded by ample amounts of Class A and B office space, retail, restaurants, and entertainment, creates the County's first recognizable "innovation district".

The County contracted with a professional planning and architectural firm to prepare a master plan for the airport and surrounding area which is now designated as the Airport Innovation District. The Innovation District Master Plan shows how the area can be further developed to include high density residential, more offices and hangars, open spaces for events, and paths and road connections to facilitate interaction among the various workers and residents who spend time there. These suggested improvements will be considered within the parameter of maintaining the viability of airport operations.

One of the department's strategic priorities is to attract and retain a young and talented workforce. In 2019, the Department of Economic Development engaged a firm who conducted an in-depth focus group with young professionals (age range 19-37 years) to determine satisfaction with the area and identify desired amenities. This focus group continues to serve as a way of engaging the younger workforce in St. Mary's County's economic growth and quality of life improvement, creating representatives and liaisons to the broader community.

Leisure and Hospitality

In late 2015, the Commissioners initiated a master planning process focused on the tourism and hospitality industry in St. Mary's County. A Tourism and Hospitality Master Plan (THMP) was completed in 2016. It called for transferring the County's tourism functions to an independent non-profit organization that can expedite procurement, book hotels and other

venues, provide commissions and bonuses to spur employee motivation, and engage in many other entrepreneurial-type activities customary of convention and visitors bureaus traditionally found in metropolitan areas. An Executive Director and a Sales Manager for Visit St. Mary's MD started during fiscal year 2019. Visit St. Mary's MD is fully staffed with the addition of the Marketing Communications Assistant in fiscal year 2020.

Using recommendations from the THMP, the success of Visit St. Mary's MD is tied to the accommodations tax and hotel occupancies. Analysis shows that, on average, day visitors spend approximately \$70, while during overnight trips, travelers will spend nearly \$500, making overnight stays the key measure that the non-profit is moving the needle for the tourism industry. The Commissioners have tied the annual allocation that the County will provide to Visit St. Mary's MD to the accommodation tax. The more successful the industry is, the higher the occupancy rates and accommodations tax are in the County, and the more revenue the non-profit will bring in to continue to support the industry.

The "Economic Impact of Tourism in Maryland-Calendar Year 2018" analysis by Tourism Economics shows a year over year increase in overall visitation to St. Mary's County from calendar year 2014 through calendar year 2018. Local Admissions and Amusement Tax revenue increased 3% between fiscal year 2018 and 2019.

The Visit St. Mary's MD team has outlined objectives including concentrating efforts in markets with the greatest potential to generate the strongest return on investment, relying heavily on the entire suite of digital outlets and developing and executing programs and campaigns that support the THMP. Visit St. Mary's MD is in the process of rebuilding the current website, transforming the platform into an inspiring and interactive experience for future visitors.

Agriculture and Aquaculture

More than 80% of the County's land is zoned Rural Preservation District. Traditional crop farming and commercial fishing continue but are experiencing the decline that traditional agriculture is experiencing nationwide. Grains, oilseeds, and meat production are becoming the predominant agriculture products. Alternative forms of agriculture including agritourism, direct-sale farm markets, farm-to-table restaurants, organic produce, oyster aquaculture, wineries, and breweries are also developing profitability. The Department of Economic Development is focused on assisting local farmers in marketing value-added products and creating opportunities for the direct sale of local produce and specialty projects. St. Mary's County manages three farmers markets across the County. In 2019, total sales at the farmers markets were nearly \$1.5 million.

In May of 2019, St. Mary's County was awarded \$1 million in grant funding along with the Regional Agricultural Center (RAC) project bid from the Southern Maryland Agricultural Development Corporation (SMADC). This award capped a nearly two-decade-long effort to provide the region's nascent livestock industry with key infrastructure that it needs to reach new customers across the state and region. The RAC will be designed for small to mid-range agricultural producers with the goal of stimulating positive supply chain economics through local product processing, cost efficient distribution, joint marketing and co-branding of products.

The existing seasonal North County Farmers Market (NCFM) has outgrown its current location. St. Mary's County is moving forward with the relocation of the market to a permanent, year-round destination that will provide safer access for vendors and customers, a larger area for outdoor vendors and expanded parking. The NCFM plan includes a value-added building with a commercial kitchen where producers can process agricultural products in an approved space, refrigerator/freezer units to lengthen product life, dry good storage and indoor customer seating. It is expected that the NCFM will be open for the 2021 market season.

New Construction and Infill Projects

1. Lexington Exchange in California, 140-acres approved for mixed use includes R&D, retail, and office. This project includes a completed 2,500-seat RNC Movie Theater and Aldi grocery store. The existing industrial use is being relocated within the County, which will clear the site for new mixed-use construction including a Royal Farms (convenience products and fuel).

2. St. Mary's Marketplace, a 106,000 SF shopping center in California is complete. Tenants include the Harris Teeter grocery store, restaurants (Panda Express, Mezeh Mediterranean Grill, Café Rio, and MOD Pizza), personal services, and retailer Bay Country Liquors. Completed pad site tenants include Starbucks, Righttime Medical Care (a 24-hour urgent care center) and Hand & Stone Massage. An additional .75-acre pad site is available.

3. The 2016 Lexington Park Development District Master Plan is being implemented by adoption of 2019 zoning amendments within Lexington Park which encourages a greater variety and intensity of use in key areas identified by the

Master Plan. The County is already seeing the results of the expanded zoning within the Development District, with projects such as U-Haul and light manufacturing/fabricating interest in vacant retail space.

4. Leonardtown centered activity includes infrastructure projects for increased water storage capacity, Route 5 widening, and Wharf District slip and pier improvements. The Hamptons at Leonardtown (142-unit luxury apartments) opened in Spring 2019 with direct walkable access to downtown. The shuttered downtown Leonardtown Hotel is being renovated and set to reopen under new ownership.

Health Services

St. Mary’s Hospital, the largest private employer and only hospital in St. Mary’s County, has merged with MedStar Health, the region’s largest nonprofit healthcare system. St. Mary’s Hospital is the ninth hospital in MedStar Health’s network and the first hospital in the Southern Maryland region to join the healthcare system. The merger has provided additional opportunities in and access to, medical teaching and residency programs, clinical trials, research programs, physician recruitment and outpatient treatment programs through MedStar Health.

In December 2019, the 8,000 square foot Lexington Park VA Community-Based Outpatient Clinic (CBOC) opened to offer “closer to home” access to the 15,335 Veterans enrolled in VA care in the three-county region. In February 2019, the U.S. Department of Veterans Affairs broke ground on a 17,000 square foot Charlotte Hall VA Clinic that will provide routine medical care for common injuries and illnesses, comprehensive Women’s Health Care, medical screenings and general outpatient care.

Population

During the period between 1960 and 2010, the population of the County increased approximately 122% as reflected in the table below. Since the 2010 U.S. Census, the County has experienced an estimated 7.14% growth in population.

Year	Population	% Change from Prior Census
1960	38,915*	--
1970	47,388*	21.8%
1980	59,895*	26.4%
1990	75,974*	26.8%
2000	86,211*	13.5%
2010	105,151*	22.0%
2011	107,558†	2.29%
2012.....	108,805†	3.48%
2013.....	109,228†	3.88%
2014.....	109,926†	4.54%
2015.....	110,965†	5.53%
2016.....	111,689†	6.22%
2017.....	112,413†	6.91%
2018.....	112,664†	7.14%

* U.S. Census year

† Estimate

Source: United States Department of Commerce, U.S. Census Bureau-American Fact Finder Population Estimate (as of July 1) Maryland Department of Planning.

Income

A comparison of St. Mary’s County and the State of Maryland personal income is presented in the following table:

Calendar Year	Personal Income (\$000’s)		% Change from Previous Year	
	St. Mary’s County	State of Maryland	St. Mary’s County	State of Maryland
2018	\$6,401,617	\$382,828,900	4.6%	5.0%
2017	\$6,120,472	\$364,575,800	2.5%	2.9%
2016	\$5,973,342	\$354,450,600	2.9%	3.6%
2015	\$5,807,589	\$342,074,300	4.5%	5.0%
2014	\$5,555,937	\$325,835,800	3.5%	3.7%
2013	\$5,368,766	\$314,266,500	0.1%	(0.3%)
2012	\$5,364,105	\$315,230,900	1.9%	3.0%
2011	\$5,266,435	\$306,179,600	6.1%	5.8%

Source: U.S. Bureau of Economic Analysis

A comparison of per capita personal income for St. Mary’s County and the State of Maryland is presented in the following table:

Calendar Year	Per Capita Personal Income		% Change from Previous Year	
	St. Mary’s County	State of Maryland	St. Mary’s County	State of Maryland
2018.....	\$56,820	\$63,354	4.7%	4.4%
2017.....	\$54,446	\$60,512	2.5%	1.8%
2016.....	\$53,485	\$59,029	2.6%	3.7%
2015.....	\$51,990	\$55,972	3.6%	3.6%
2014.....	\$51,160	\$54,036	2.6%	2.7%

Source: U.S. Bureau of Economic Analysis

A comparison of St. Mary’s County and the State of Maryland median household income is presented in the following table:

Calendar Year	Median Household Income		% Change	
	St. Mary’s County	State of Maryland	St. Mary’s County	State of Maryland
2018	\$92,250	\$83,242	7.0%	20.9%
2010	\$88,444	\$68,854	--	--

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates (inflation-adjusted), 2010-2018

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Sales and Use Tax Collections

As indicated in the following table, St. Mary’s County’s sales and use tax receipts for fiscal year 2019 increased slightly by 3.1% from fiscal year 2018.

Sales and Tax Receipts by County Fiscal Year Ended June 30

	2019	2018	% Change
Calvert County	\$ 44,113,882	\$ 42,116,995	4.7%
Charles County	\$ 101,146,020	\$ 102,745,221	(1.6%)
St. Mary’s County	\$ 59,545,383	\$ 57,764,792	3.1%
State of Maryland.....	\$4,908,976,164	\$4,733,831,820	3.7%

Source: Maryland Comptroller Revenue Accounting Division. Summary by Subdivision and Business Activity 2019-2018.

Education

	St. Mary’s County	Charles County	Calvert County	State of Maryland	U.S.
Ages 18-24:					
Less than high school graduate	7.6%	13.9%	10.2%	10.7%	12.5%
High school graduate	39.7%	46.9%	41.7%	31.3%	32.0%
Some college or associate degree	45.8%	31.4%	34.1%	43.6%	43.9%
Bachelor’s degree or higher	7.0%	7.8%	14.1%	14.4%	11.6%
Ages 25 and older:					
Less than high school graduate	9.3%	5.6%	6.3%	9.5%	11.7%
High school graduate	32.8%	30.4%	28.2%	24.2%	26.9%
Some college or associate degree	23.2%	34.2%	31.8%	25.5%	28.9%
Bachelor’s degree	20.6%	19.9%	19.0%	21.9%	20.0%
Graduate degree	14.1%	9.9%	14.7%	18.9%	12.6%

Source: U.S. Census Bureau, American Community Survey, 2018: ACS 1-Year Estimates - Educational Attainment (S1501).

Dropout rates represent the percentage of students in grades 9-12 who withdrew from school before graduation or before completing a Maryland-approved educational program during the July to June academic year. A rate of 3.0% or less is considered satisfactory by State standards.

Dropout Rates, Grades 9-12, 2019

Calvert County	3.54%
Charles County	3.00%
St. Mary’s County	3.91%
State of Maryland.....	8.42%

Source: Dropout Rates of Maryland Public High Schools Grades 9-12: The Maryland Report Card- 2019
Maryland State Department of Education.

Higher Education

St. Mary’s County hosts a variety of outstanding higher education institutions offering graduate, undergraduate, noncredit, continuing education and enrichment programs.

The University System of Maryland has expanded its presence and role in St. Mary’s County and has merged with the Southern Maryland Higher Education Center, now USMSM, in fiscal year 2019. Additionally, the previously mentioned 80,000 sq. ft. unmanned and autonomous systems research and academic building will feature classrooms, labs and conference facilities, offering additional opportunities for research and learning in the UAS industry.

Established in 1994 as the State of Maryland's provider of graduate degree programs for Southern Maryland citizens, the USMSM recruits and selects graduate degree programs and universities that meet the professional development needs of the Southern Maryland community. With nine university partners serving students at USMSM, including the Capitol College, Catholic University of America, College of Notre Dame of Maryland, George Washington University, Gratz College, Johns Hopkins University, Towson University, Florida Institute of Technology, the University of Maryland University College and the University of Maryland College Park, USMSM presents 90 plus academic programs in the areas of engineering, applied sciences, management, nursing and education. Bachelor's degrees, graduate certification programs, graduate certificate programs, and doctoral degrees are presented at the USMSM.

The USMSM is a premier facility for training programs, including those for U.S. Navy military and civilian personnel and the defense support industry. Utilizing two classroom buildings in the enhancement of higher education opportunities, the Center now encompasses 60,000 square feet and a total of 35 high-tech classrooms. The second building, featuring state-of-the-art instruction and training equipment and communications, was opened in 2003.

St. Mary's College of Maryland, located in St. Mary's City, is a public liberal arts honors college offering Bachelor of Arts degrees and continuing education programs. The College's enrollment is approximately 2,000 full-time students and 100 part-time students. Majors include art, dramatic arts, music, language and literature, human development, psychology, philosophy, history, political science, anthropology, sociology, public policy, economics, mathematics, biology, chemistry, physics, and natural science.

Florida Institute of Technology is an accredited university. Florida Tech's off-campus site is located at the USMSM and all courses for the eleven programs offered are taught by experienced professionals who are currently working in their field. The Site offers 11 Master's degrees. There are approximately 35 graduates each year and approximately 150 students enrolled in about 25 courses offered each semester.

Embry-Riddle Aeronautical University specializes in aviation and aeronautical education. The Patuxent River campus offers Associate/Bachelor of Science degrees and a Master's degree. Approximately 200 plus students are enrolled for each of the nine five-week terms and 35-40 students graduate yearly.

The University of Tennessee Space Institute ("UTSI") is a graduate education and research institution internationally recognized for its graduate study and research. Approximately 15 students are enrolled each year and approximately six students graduate yearly.

The College of Southern Maryland ("CSM") is a regionally accredited public two-year institution with an emphasis on workforce development. The St. Mary's County campus is currently comprised of 3 buildings on 62 acres. The campus offers an array of associate degree programs, industry certifications, career training, and wellness and fitness activities. CSM is known as a progressive, innovative and technologically advanced institution. CSM also serves as a catalyst for business, industry and government to identify the resources needed to grow and maintain a healthy economy and community.

CSM prepares its students for transfer to bachelor's degree programs and provides the tools and resources needed to immediately succeed in a competitive marketplace. Approximately 2,000 students are enrolled each term at the St. Mary's (Leonardtown) campus. CSM offers over 73 associate degree programs of study, 42 certificate programs of study and 30 letters of recognition, in addition to a variety of continuing education courses. CSM provides students of all ages with a wide variety of convenient and affordable educational options, including traditional classroom settings as well as alternative learning formats such as weekend and evening online classes, and web-hybrid courses which offer a mix of online and traditional classroom face-to-face instruction.

CSM recently opened its fourth campus in Southern Maryland in Hughesville for the Center for Trades and Energy Training, which holds labs in Welding, Carpentry, Electrical, HVAC, Plumbing and CAD and includes four classrooms, 20 computer stations and a conference room.

Commercial and Residential Building Permits

The number of commercial and residential building permits issued by the County for the last five calendar years are listed below:

	2015	2016	2017	2018	2019	Total
<u>Residential</u>						
Multi-Family Apartment Building	0	0	1	6	6	13
Custom Home	333	487	460	395	402	2,077
Mobile Home	22	19	19	17	17	94
Modular Home	1	2	7	7	6	23
Townhouse	61	96	163	116	146	582
Duplex	2	0	0	0	0	2
Accessory Apartment	8	8	13	9	10	48
Addition	361	359	369	320	357	1,766
Renovation	299	460	234	245	263	1,501
Accessory Structure	103	105	162	192	197	759
Accessory Structure Addition	14	2	9	12	12	49
Accessory Structure Renovation	5	2	5	7	2	21
Swimming Pool	37	47	61	63	61	269
Solar Panels	0	108	187	148	111	554
Total	1,246	1,695	1,690	1,537	1,590	7,758
<u>Commercial (Non-Residential)</u>						
Amusement/Recreation	0	1	0	1	5	7
Church & Religious Building	0	2	2	3	2	9
Hospital & Institutional	0	0	0	0	0	0
Hotel	0	0	0	0	0	0
Industrial	3	1	0	2	1	7
Office, Bank, Professional Building	9	10	3	7	10	39
Parking Garage	0	0	0	0	0	0
Utility	2	3	2	4	3	14
Schools & Education Building	1	0	1	0	0	2
Stores & Customer Service	6	12	18	16	12	64
Other Non-Residential Building	10	12	11	6	7	46
Comm. Structure Other than Bldg	49	26	28	33	30	166
Addition	13	11	16	10	9	59
Renovation	38	36	54	39	42	209
Total	131	114	135	121	121	622

Source: St. Mary's County Department of Land Use and Growth Management.

Employment Classification

Comparative figures for the Southern Maryland counties are presented below:

	Calvert	Charles	St. Mary's
Private wage and salary workers	79.9%	75.5%	66.6%
Government workers	20.1%	24.5%	33.4%
Total Workforce	22,830	41,431	46,212

Source: Maryland Department of Labor, License and Regulations, Office of Workforce Information and Performance, Maryland Quarterly Census of Employment and Wages (QCEW), Second Quarter 2019.

Business and Industrial Composition

In the following table, statistics are provided relating to the distribution of employment by employer classification. These figures exclude railroad, domestic service, self-employed, agricultural and unpaid family workers.

Classification	Number of Reporting Units	%*	Quarterly Average Employment	%*
Natural Resources and Mining	21	1.0%	74	0%
Construction	293	13.3%	1,857	4%
Manufacturing	47	2.1%	511	1%
Trade, Transportation, and Utilities	439	19.9%	7,009	15%
Information	16	0.7%	151	0%
Financial Activities	147	6.7%	644	1%
Professional and Business Services	488	22.1%	10,695	23%
Education and Health Services	244	11.1%	4,727	10%
Leisure and Hospitality	234	10.6%	4,224	9%
Other Services	169	7.7%	905	2%
Local Government	57	2.6%	4,096	9%
State Government	11	0.5%	950	2%
Federal Government	40	1.8%	10,365	22%
Total	2,206	100%	46,208	100%

*Columns may not add due to rounding.

Source: Department of Labor, Licensing, and Regulation, Office of Workforce Information and Performance, Maryland Quarterly Census of Employment and Wages (QCEW), Second Quarter 2019.

Employment

Representative employment figures for some of the larger employers in the County follow:

Companies	Employees
Naval Air Station Patuxent River	25,000
MedStar St. Mary's Hospital	1,260
DynCorp International	1,020
SAIC/Engility	865
KBRwyle	700
BAE Systems	645
General Dynamics	600
St. Mary's College of Maryland	555
PAE Applied Technologies	500
J.F. Taylor	475
Lockheed Martin	470
Boeing	450
Northrop Grumman	415
Booz Allen Hamilton	400
CACI	280
Sikorsky	280
Precise Systems	250
Smartronix	250
MIL	245
Spalding Consulting	245
Sabre Systems	235
McKay's	225

Source: St. Mary's County Department of Economic Development and Maryland Department of Commerce, 2019.

The following table sets forth St. Mary’s County’s unemployment rate as compared with other counties of Southern Maryland, the State of Maryland and the United States for the years 2015-2017.

Average Annual Unemployment Rate

	2015	2016	2017	2018	2019
Calvert County.....	4.6%	3.9%	3.6%	3.5%	3.2%
Charles County	5.0%	4.2%	4.0%	3.9%	3.7%
St. Mary’s County.....	4.8%	4.2%	4.0%	3.8%	3.4%
State of Maryland	5.1%	4.4%	4.1%	3.9%	3.6%
United States.....	5.3%	4.9%	4.4%	3.9%	3.7%

Source: Maryland Department of Labor, Licensing, and Regulations, Office of Workforce Information and Performance-Annual Local Area Unemployment Statistics (LAUS), Not Seasonally Adjusted; Bureau of Labor Statistics – Current Population Survey.

The number of persons living in St. Mary’s County who were available for work and composed the County’s labor force numbered 1,622 in November 2019 while total employment was 54,798 resulting in an unemployment rate of 2.9% for this period. Comparative November 2019 unemployment rates are given below for other counties of Southern Maryland, the State of Maryland and the United States.

Calvert County.....	2.7%
Charles County	3.3%
St. Mary’s County.....	3.8%
State of Maryland	3.2%
United States.....	3.5%

Source: Maryland Department of Labor, Licensing, and Regulations, Office of Workforce Information and Performance-Counties-Annual Local Area Unemployment Statistics (LAUS), Not Seasonally Adjusted; Bureau of Labor Statistics – Current Population Survey.

Commuting Patterns

The U.S. Census Bureau 2018 American Community Survey (ACS) 5-Year Estimate determined the work commuting patterns for the labor forces of each of Maryland’s counties and the City of Baltimore. Of the counties located in Southern Maryland, St. Mary’s County has the largest percentage of its labor force (those 16 and over) who work within their resident county. Comparative figures for the Southern Maryland counties are presented below:

Calvert County.....	40.1%
Charles County	38.6%
St. Mary’s County.....	74.2%

Source: U.S. Census Bureau 2018 American Community Survey (ACS) 5-Year Estimate.

LITIGATION

The County is party to numerous legal proceedings, many of which normally recur in governmental operations. The legal proceedings to which the County is a party are not, in the opinion of the County Attorney, likely to have a material adverse impact on the County’s financial position.

EXPERTS

The audited financial statements included in Appendix A have been examined by SB & Company, LLC, independent certified public accountants for the County to the extent stated in the report of such firm appearing therein. The audited financial statements have been included in reliance upon the report of such firm, which report is given upon their authority as experts in auditing and accounting. The independent accountants were not requested to review or update such financial statements or their report in connection with the issuance of the Bonds and such report speaks only as of its date. The independent accountants have not performed any audit procedures subsequent to the date of their report and have not audited any financial statements of the County as of any date, or for any period, subsequent to June 30, 2019.

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COMMISSIONERS OF ST. MARY'S COUNTY
Financial Statements and Supplemental Schedules
Together with Report of Independent Public Accountants
For the Year Ended June 30, 2019

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JUNE 30, 2019

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Commissioners of St. Mary's County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Commissioners of St. Mary's (the County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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Opinions

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required supplementary information, and budget and actual schedules, as individually listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, required supplementary information, and budget and actual schedules as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements, schedule of revenues and other financing sources, and schedule of unexpended appropriations for capital projects, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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The combining and individual fund statements, schedule of revenues and other financing sources, and schedule of unexpended appropriations for capital projects, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements, schedule of revenues and other financing sources, and schedule of unexpended appropriations for capital projects, as listed in the accompanying table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Owings Mills, Maryland
December 20, 2019

S B & Company, LLC

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

This section of the Annual Financial Report of St. Mary's County, Maryland presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. We encourage readers to use the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$246.1 million (net position). Approximately \$17.6 million, or 7.15%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling, Recreation and Parks Activities, and the Wicomico Golf Course. Unrestricted Net Position for FY2019 is (\$30.6 million) a change from the FY2018 \$(61.1 million), an increase of approximately \$30.5 million. Other components of the net position are \$28.0 million of restricted net position and approximately \$248.6 million of net investment in capital assets. The net investment in capital assets represents the capitalized assets, net of accumulated depreciation and outstanding debt.
- The Government's overall net asset position reflects an increase of \$43.6 million compared to the prior year.
- Governmental activities' total indebtedness increased by approximately \$19.1 million during the fiscal year ended June 30, 2019. General Obligation Bonds was sold in FY2019 for \$30 million for capital improvement projects. Payments on the debt totaled approximately \$10.9 million. The estimated post-closure costs of the landfill decreased by approximately \$0.2 million and there was a net increase in the accrual for compensated absences of approximately \$0.2 million.
- As of June 30, 2019, the County's governmental funds reported combined fund balances of \$92.8 million, an increase of \$14.2 million compared to the prior year. The general fund reflected an increase of \$5.5 million. The capital projects fund reflected an increase of \$8.8 million. The fund balance for the non-major funds decreased \$0.2 million. The County's governmental fund balances as of June 30, 2019 include \$25.4 million for capital projects, \$65.6 million in general funds, and \$1.7 million for the other non-major funds. The general fund balance of \$65.6 million includes: \$2.1 million that is nonspendable, as well as, \$30.8 million which is committed to the following: \$14.2 million for the Bond Rating Reserve, \$1.625 million for County's Rainy-Day Fund and \$14.8 million for use of non-recurring in the FY2020 Budget. In addition, the general fund reflects assigned designations of approximately \$2.1 million which includes encumbrances.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Financial Highlights (continued)

- With the FY2019 budget, the State's allocations/funding to the County continue to be level funded or close to the same as in past years. Cost shifts continue and this budget continues to focus on funding recurring expenses with recurring revenues. The County deems it prudent to stay the course with respect to basic government services, while maintaining reserves adequate to cushion against changes over which it has little influence. The County approved the budget using \$2,085,000 of unassigned fund balance. Maintaining a healthy fund balance can help the County to weather negative revenue results and avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address negative trends.
- The non-major funds are special purpose funds that correspond to special assessments, the emergency services support fund, and a revolving loan fund set up to assist volunteer fire and rescue squads in financing their acquisition of capital assets.
- The business-type operating activities reflect a total decrease in net position of \$22,209. Fee-based recreation activities posted an increase of \$8,053. This fund is an accumulation of a large number of recreation activities, and fees are adjusted so that the fund, over the long term, breaks even, with no significant net position being accumulated. Fee-based solid waste and recycling activities posted an increase of \$77,111 with Environmental Service fee set at \$91. The Wicomico Golf Course reflects a decrease of \$107,373 in net position, reflects the continuation of reduced expenses compared to past years. The enterprise funds are reviewed for sustainability, as a part of the annual budget process. At the same time, increased costs for personal, utilities and general operating costs has been realized. During FY2020, consideration will continue to be given to the fee schedules as well as cost control, to restore this activity to a balanced budget.
- As of June 30, 2019, the unassigned fund balance for the general fund (primary operating fund) was \$30.3 million, or 13.59% of general fund expenditures. Assigned fund balance of the general fund was \$2.1 million, or 3.2% of the general fund total fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required and non-required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner comparable to a private-sector business.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Overview of the Financial Statements (continued)

The *statement of net position* presents information on all of the County's assets and deferred outflows of resources liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health, social services, economic development, agricultural land preservation and recreation and parks, community services, planning and zoning, and permits and inspections. The business-type activities of the County include Wicomico Golf Course, Solid Waste and Recycling Activities and the Recreation Activities.

The government-wide financial statements include not only the Commissioners of St. Mary's County itself (known as the *primary government*), but also legally separate component units. The County has the following component units: St. Mary's County Public Schools, St. Mary's County Library, the Metropolitan Commission, and the Building Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 18 to 213 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Overview of the Financial Statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Commissioners of St. Mary's County maintains five individual governmental funds: general, capital projects, special assessments, fire and rescue revolving funds, and emergency support. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, capital projects and non-major funds (special assessments, fire and rescue revolving, and emergency support funds). The detail for the non-major funds is presented as part of supplementary information following the notes to the financial statements. The basic governmental fund financial statements can be found on pages 22 and 23 of this report.

The Commissioners of St. Mary's County adopts an annual appropriated budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, the County's primary fund. The budget to actual statement can be found on page 113 of this report.

Proprietary funds: Proprietary funds, also known as *Enterprise funds*, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Commissioners of St. Mary's County uses enterprise funds to account for Wicomico Golf Course, and fee-based Solid Waste and Recycling Activities and Recreation Activities. The proprietary fund financial statements can be found on pages 26 to 28 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the Commissioners of St. Mary's County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary Funds are established for retiree benefit trusts, specifically the Sheriff's Office Retirement plan, the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits and the Length of Service Awards for Fire & Rescue. The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 31 to 110 of this report.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Overview of the Financial Statements (continued)

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commissioners of St. Mary's County's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 113 to 121 of this report. Combining and Individual Fund Statements on pages 123 and 124. Other supplementary information can be found on pages 127 to 134.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of St. Mary's County, assets exceeded liabilities by \$246.1 million at the close of the current fiscal year. The County's net position is divided into three categories: net investment in capital assets, restricted net position; and unrestricted net position. \$248.6 million of the County's net position reflects its net investment in capital assets (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents 11.4% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a balance of negative \$30.6 million.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Government-wide Financial Analysis (continued)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current Assets	\$ 138,036,777	\$ 117,610,004	\$ 1,636,323	\$ 1,583,980	\$ 139,673,100	\$ 119,193,984
Other Non-Current Assets	2,663,398	2,629,853	-	-	2,663,398	2,629,853
Capital assets	328,447,336	302,032,158	17,559,646	17,680,276	346,006,982	319,712,434
Total Assets	469,147,511	422,272,015	19,195,969	19,264,256	488,343,480	441,536,271
DEFERRED OUTFLOW OF RESOURCES						
Pension	11,664,199	7,307,943	-	-	11,664,199	7,307,943
OPEB	-	156,626	-	-	-	156,626
Bond Refunding	-	1,356,254	-	-	-	1,356,254
Total Deferred Outflow of Resources	11,664,199	8,820,823	-	-	11,664,199	8,820,823
Total Assets & Deferred Outflow of Resources	480,811,710	431,092,838	19,195,969	19,264,256	500,007,679	450,357,094
LIABILITIES						
Current liabilities	28,524,896	27,164,508	1,260,141	1,134,678	29,785,037	28,299,186
Non-Current Liabilities	202,499,724	198,505,612	337,246	508,787	202,836,970	199,014,399
Total Liabilities	231,024,620	225,670,120	1,597,387	1,643,465	232,622,007	227,313,585
DEFERRED INFLOW OF RESOURCES						
Pension	8,146,553	2,070,354	-	-	8,146,553	2,070,354
OPEB	13,093,100	3,988,864	-	-	13,093,100	3,988,864
Unavailable Income Tax Distribution	-	14,401,043	-	-	-	14,401,043
Total Deferred Inflow of Resources	21,239,653	20,460,261	-	-	21,239,653	20,460,261
Total Liabilities & Deferred Inflow of Resources	252,264,273	246,130,381	1,597,387	1,643,465	253,861,660	247,773,846
NET POSITION						
Net Investment in Capital Assets	231,322,781	223,996,528	17,353,580	17,303,526	248,676,361	241,300,054
Restricted	28,085,864	22,409,857	-	-	28,085,864	22,409,857
Unrestricted	(30,861,208)	(61,443,928)	245,002	317,265	(30,616,206)	(61,126,663)
Total Net Position	\$ 228,547,437	\$ 184,962,457	\$ 17,598,582	\$ 17,620,791	\$ 246,146,019	\$ 202,583,248
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 480,811,710	\$ 431,092,838	\$ 19,195,969	\$ 19,264,256	\$ 500,007,679	\$ 450,357,094

As of June 30, 2019, the Commissioners of St. Mary's County reports positive balances in two categories of net position as a whole. Unrestricted is negative due to GASB reporting changes.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Government-wide Financial Analysis (continued)

The following table indicates the changes in net position for governmental and business-type activities:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for Services	\$ 4,701,891	\$ 5,909,182	\$ 4,475,978	\$ 4,196,442	\$ 9,177,869	\$ 10,105,624
Environmental/Solid Waste Fees	-	-	4,080,280	3,172,692	4,080,280	3,172,692
Operating Grants and Contributions	8,826,105	9,551,033	29,781	29,781	8,855,886	9,580,814
Capital Grants and Dedicated Fees or Taxes	8,308,046	3,199,535	-	-	8,308,046	3,199,535
General Revenues:						
Property taxes	110,200,973	109,091,603	-	-	110,200,973	109,091,603
Income taxes	116,793,920	90,410,603	-	-	116,793,920	90,410,603
Other Taxes	21,906,185	18,029,283	-	-	21,906,185	18,029,283
Investment Earnings	1,794,906	825,414	-	-	1,794,906	825,414
Roads Constructed by Third Parties	3,366,108	1,951,488	-	-	3,366,108	1,951,488
Capital Transfers	-	(49,050)	-	49,050	-	-
Miscellaneous, principally Capital Projects Funding	-	5,869,375	8,319	39,935	8,319	5,909,310
Total Revenues	275,898,134	244,788,466	8,594,358	7,487,900	284,492,492	252,276,366
Program Expenses:						
General Government	10,254,444	15,742,890	-	-	10,254,444	15,742,890
Public Safety	53,280,264	52,680,506	-	-	53,280,264	52,680,506
Public Works	31,455,053	29,218,750	4,636,127	4,089,503	36,091,180	33,308,253
Health	2,789,716	3,024,679	-	-	2,789,716	3,024,679
Social Services	4,522,183	4,474,563	-	-	4,522,183	4,474,563
Primary and Secondary Education	106,264,748	106,189,852	-	-	106,264,748	106,189,852
Post-Secondary Education	4,424,465	4,321,693	-	-	4,424,465	4,321,693
Parks, Recreation and Culture	8,004,172	5,512,346	3,980,440	3,840,562	11,984,612	9,352,908
Libraries	3,064,401	2,986,923	-	-	3,064,401	2,986,923
Conservation of Natural Resources	680,202	1,968,147	-	-	680,202	1,968,147
Economic Development and Opportunity	2,466,428	2,844,937	-	-	2,466,428	2,844,937
Interest on Debt	943,132	609,438	-	-	943,132	609,438
Intergovernmental	-	44,916	-	-	-	44,916
Other, principally Retiree's Health	4,163,946	3,314,877	-	-	4,163,946	3,314,877
Total Expenses	232,313,154	232,934,517	8,616,567	7,930,065	240,929,721	240,864,582
Change in Net Position	43,584,980	11,853,949	(22,209)	(442,165)	43,562,771	11,411,784
Net Position – beginning of year	184,962,457	173,108,508	17,620,791	18,062,956	202,583,248	191,171,464
Net Position – End of year	\$ 228,547,437	\$ 184,962,457	\$ 17,598,582	\$ 17,620,791	\$ 246,146,019	\$ 202,583,248

Governmental activities: Governmental activities reflected an increase in net position of approximately \$43.6 million.

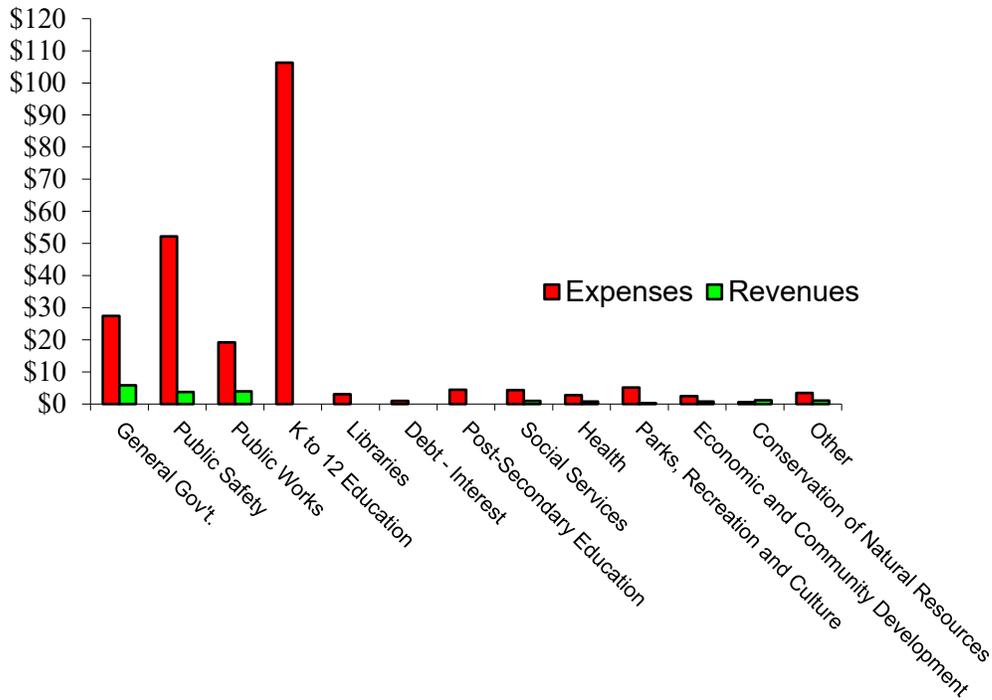
Business-type activities: Business-type activities reflected a decrease in net position of \$22,209.

COMMISSIONERS OF ST. MARY’S COUNTY

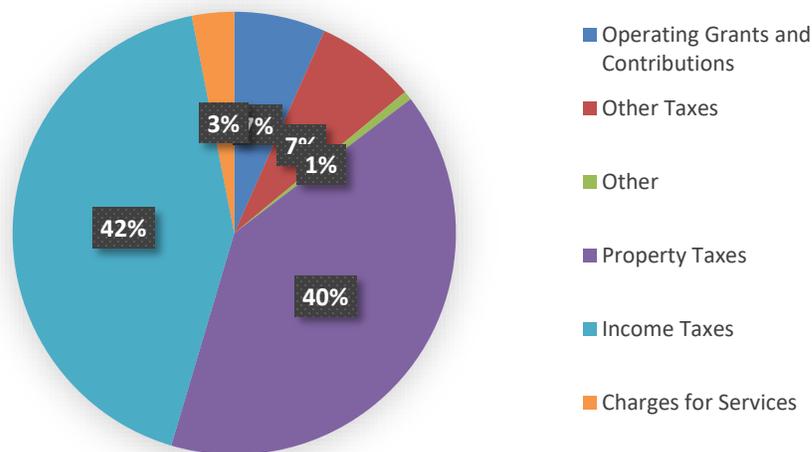
**Management’s Discussion and Analysis
June 30, 2019**

Government-wide Financial Analysis (continued)

**Expenses and Program Revenues – Governmental Activities
(in millions)**



Revenues By Source – Governmental Activities



COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Financial Analysis of the Government's Funds

As noted earlier, the Commissioners of St. Mary's County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Commissioners of St. Mary's County governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the Commissioners of St. Mary's County financing requirements. In particular, *committed*, *assigned* and *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the Commissioners of St. Mary's County governmental funds reported combined ending fund balances of \$92.8 million, an increase of \$14.2 million compared to the prior year. The Capital Projects fund accounts for \$25.4 million. Approximately \$30.3 million, or 46.2% of this total, constitutes unassigned fund balance, which is available for spending at the government's discretion in the General Fund. Assigned fund balance represents encumbrances and miscellaneous revolving fund reserved for specific uses. Restricted and committed fund balances include \$27.7 million for capital projects, \$14.2 million for the Bond Rating Reserve, \$1.625 million for Rainy Day Fund, and \$14,881,410 for non-recurring operating and capital improvement pay-go in the FY2020 budget. Non-spendable fund balance includes \$1,325,694 committed to liquidate inventories, prepaid expenses of \$94,854 and \$671,167 in interfund advances. Unassigned fund balance represents almost 13.59% of general fund expenditures.

The fund balance of the Commissioners of St. Mary's County general fund has increased \$5,468,828 in FY2019, when compared to the prior year increase of \$10.3 million. Unassigned fund balance was not used in the FY2018 Budget and \$2,085,000 was used in the FY2019 approved budget. The County uses unassigned fund balance for non-recurring expenses.

The capital projects fund has a total fund balance of \$25.4 million. This balance reflects the accumulated unspent balance of impact fees, transfer taxes, and pay-go, which has been appropriated for specific projects, but remains unspent as of June 30, 2019. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 130 and 131.

Proprietary funds: The Commissioners of St. Mary's County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. At the end of year, the Wicomico Golf Course Fund reflected unrestricted net position of (\$822,270). The Recreation Activities Fund reflected unrestricted net position of \$691,229, and the unrestricted net position of the Solid Waste and Recycling Fund amounted to \$376,043. On a combined basis, there was a \$22,209 decrease in unrestricted net position over the prior year.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

General Fund Budgetary Highlights

In addressing the budget to actual variances, this section focuses generally on comparisons to the original approved budget. The "other supplementary information" on pages 128 through 133 reflects the original and final budgets as well as the actual results in more detail. FY2019 actual results reflect actual revenues that are about \$3.2 million more than the original budget; this is largely attributable to the \$3.5 million increase in the local income tax revenue. Property Taxes had a negative variance of \$227,532 and other local taxes had a positive variance of \$517,308. The FY2019 budget for income tax revenue is based upon an annual growth rate of 3.5% applied to tax year 2016 results based on returns filed. This growth percentage is the average from Tax Year 2014 through Tax Year 2016. \$1 million was also added to the estimate for FY2019 for the additional receipts coming to the County due to the federal tax law changes. As the information on pages 128 and 129 shows, there are a variety of smaller offsetting variances; these were considered when developing the revenue budget for FY2020. The County will continue to monitor closely the developments in property and income taxes, as these are such a significant component of funding. Given the economy, it is likely that the rate of growth in property taxes will be steady at the slower rate of almost 2% annually. As for income taxes, the County will continue to budget based on its specific taxable income statistics, as provided by the State, rather than the State's distributions, which are based on State-wide cash flow.

Expense variances fall into several categories. During FY2019 there were several temporary vacancies within the county departments and elected officials that resulted in turn-over and vacancy savings of almost \$4.1 million, of which \$2 million is from the Sheriff's Office. Savings also come from fuel, insurance and other contract services of about \$1.2 million, combined. Estimates for subsequent budgets will be reviewed considering these recurring positive variances.

While the County's financial situation is strong and sustainable, the County continues to take a very conservative approach to revenue estimates, given the continued concern of the federal and state budgets, and the general economy – continuing to focus on efficiency measures, both as a part of budget adoption, and throughout the operational year. The county continues to monitor expenditures and realigns savings to reserves to use on non-recurring costs – such as severe weather. Savings are not re-aligned to spend on recurring costs that carry future funding commitments. Instead, the savings can accrue to fund balance to fund future non-recurring costs, if needed. This reflects the County's disciplined approach to budgeting, including adherence to budgeted activities, judicious review of supplemental budget requests, use of an encumbrance-based approach, continued focus on efficiency and effectiveness, and prudent fiscal management at all levels. As part of the annual budget process, the County approves a multi-year operating budget and ensures that operating impacts from capital improvement projects are included.

Recurring expenses must be supported by recurring revenues in order to be sustainable. The County builds a budget based on sustainable levels of revenues, and uses any excess generated in one year to fund non-recurring items in subsequent budget years. As indicated previously, the County has retained significant fund balance to position it to be able to address the uncertain

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

General Fund Budgetary Highlights (continued)

future caused by the economy, especially as it relates to State and Federal funding. As a part of each annual budget process, the County Commissioners review the prior year unassigned fund balance and decides if it needs should be used for non-recurring expenditures. It also retains a significant reserve balance not identified for such purposes. Higher reserves at this time will enable us to soften the impact of further cuts or cost shifts, allowing some additional time to implement longer term cost reduction measures, as might be appropriate. With the Commissioners Fund Balance policy, it reinforces using fund balance for non-recurring expenses and it also stipulates that County Reserves, which includes the 6% Bond Rating Reserve, Rainy Day Fund and Unassigned fund balance, should be at or above 15% of general fund revenue. FY2019 ratio is 20%.

With the low property tax rate and an income tax rate that is less than the maximum allowed by the State, the County also has maintained ample capacity for revenue enhancement should future needs arise, and the circumstances warrant it.

Capital Asset and Debt Administration

- Capital assets:** The Commissioners of St. Mary's County investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$346 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure and land development rights. The net increase in the County's investment in capital assets for the fiscal year ended June 30, 2019 was \$26,294,548. It should be noted that the capital asset balances include the County's infrastructure (i.e., roads), as the County has fully implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement 34.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 43,840,222	\$ 38,579,550	\$ 1,078,666	\$ 1,078,666	\$ 44,918,888	\$ 39,658,216
Buildings and Improvements	120,324,009	118,600,681	4,382,984	4,382,984	124,706,993	122,983,665
Facilities Under Construction	27,143,320	15,604,411	-	-	27,143,320	15,604,411
Solid Waste Facilities	-	-	13,220,472	13,220,472	13,220,472	13,220,472
Infrastructure	290,562,306	278,365,073	-	-	290,562,306	278,365,073
Vehicles	20,576,897	18,836,043	3,218,668	3,367,814	23,795,565	22,203,857
Equipment	36,929,789	30,773,336	1,215,140	1,193,224	38,144,929	31,966,560
Accumulated depreciation	(210,929,207)	(198,726,937)	(5,556,285)	(5,562,884)	(216,485,492)	(204,289,821)
Total	\$ 328,447,336	\$ 302,032,157	\$17,559,645	\$17,680,276	\$ 346,006,981	\$ 319,712,433

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Capital Asset and Debt Administration (continued)

Major capital asset events during the current fiscal year included the following:

- Approximately \$9.1 million in road costs were capitalized, including \$3 million in roads developed /constructed by third parties.
- Licensed vehicles increased by \$1.5 million – net of disposals.
- Construction in progress totals \$27,143,320 million – Capital Improvements project capitalized in subsequent years.

Additional information on the County's capital assets can be found in Note 3 of this report.

Long-term debt: At June 30, 2019, the Commissioners of St. Mary's County had the following debt, and other similar obligations outstanding, as set forth in the table below. The full faith and credit and unlimited taxing power of the Commissioners of St. Mary's County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the General Obligation Bonds.

<u>Primary Government</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Amounts due within one year</u>
General Obligation Bonds (GOB) - County	\$ 92,424,000	\$ 71,172,000	\$ 9,940,000
Water Quality Loans	-	221,516	-
State Loans	1,227,454	1,350,894	123,440
Exempt Financing (Equipment & Vehicles)	3,473,101	5,291,220	1,534,883
	<u>\$ 97,124,555</u>	<u>\$ 78,035,630</u>	<u>\$ 11,598,323</u>
<u>Business-Type Activities</u>			
Exempt Financing (Equipment)	<u>\$ 206,066</u>	<u>\$ 376,750</u>	<u>\$ 107,622</u>

The Commissioners of St. Mary's County's additions to debt included \$30,000,000 of General Obligation Bonds – closed in October 2018.

As of June 30, 2019, the County had an AA+ rating from Fitch Ratings, an "AA+" from S & P Global Ratings and an "Aa1" rating from Moody's Investors Service, Inc. which were confirmed by rating agencies in August 2018 prior to \$30 million sale in September 2018. Rating reviews issued by the agencies have typically cited the County's low debt burden with rapid amortization, careful management of the capital program, healthy reserves, budget flexibility, a stable economy, and prudent fiscal policies. The County's debt policy, adopted by the Board, provides that the ratio of debt to assessed value not exceed 2.15%, to include the debt of St. Mary's Metropolitan Commission, and debt service expense as a percent of current general fund

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Capital Asset and Debt Administration (continued)

revenue does not exceed 10%. The County is well within these parameters, and monitors capital budgets and 5-year plans to ensure it remains within the limitations.

Additional information on the Commissioners of St. Mary's County's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

- The total general fund FY2020 expenditure budget is \$253.1 million; this budget includes the use of unassigned fund balance, \$14.8 million for non-recurring expenditures capital improvement expenditures, committed in fund balance. The property tax income is based on information provided by the State as to estimated taxable assessed value of \$12.8 billion, a small increase over the prior year's estimate of \$12.6 billion. The impact of triennial assessments shows a minimal increase in the full value are somewhat mitigated by the County's cap of 3%. Assessments continue to reflect slow growth, but steady; this resulted in revenue estimate at 1.6% over the prior year. Initial billings for FY2020 are comparable to the estimates. The real property tax rate remains at .8478 per \$100 of assessed value, which is higher than constant yield tax rate by .0052. The personal property tax rate, which is 2.5 times the real property tax rate, is \$2.1195. The income taxes were budgeted at \$101.2 million, with approved rate increase to 3.17% of taxable income effective as January 1, 2020 using 4.0% growth in local tax returns. This represents a revenue increase of 7.8% over the FY2019 budget and reflects both the estimated County specific tax returns as well as \$5.6 million estimated for interest and penalties as well as the share of State-wide unallocated taxes that will be distributed to the County by the State. Continual monitoring of the property tax and income tax revenue, which represents approximately 85% of the total revenues, will be a major part of the FY2021 budget development, any indications of reduction will be offset by reduced expenditures.
- Although the general economy of the State and United States effects the County, the activities and operations of the Patuxent Naval Air Base in St. Mary's County has a stabilizing effect on the local economy. Operations at the base, which is the busiest flight center in the world, continues to grow. Approximately 25,000 workers support the base.
- Tech Port – a County technology incubator, is operational to assist start-up companies. The facility, located in the St. Mary's County Airport Innovation District, is 6,000 square feet and is adjacent to the University of Maryland UAS Test Site and near the University System of Maryland at Southern Maryland higher education center with a new Academic and Research Building dedicated to autonomy under construction.
- The population growth continues and was last estimated at 112,664 and is estimated to grow to 120,150 by 2020.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2019

Economic Factors and Next Year's Budgets and Rates (continued)

- The County ranks near the top in the State for growth in the labor force, average weekly wages, and median household income. We consistently post unemployment rates that are well below State averages. These factors indicate a stable economy.
- Tourism and Hospitality Industry continues to be an important component of the local economy. The County's accommodations tax continues to be strong. The County established a new non-profit, Visit St. Mary's MD, in FY2019 to perform tourism functions for the County, with future funding tied to the accommodations tax.

Each budget cycle includes reviews of both the operating and capital spending plans for sustainability and affordability. The County's debt policy is conservative and is a significant consideration in budget deliberations. The Board intends to continue its use of multi-year outlooks and sustainability reviews as a part of the budget process, accompanied by interim reviews of selected revenues and expenditures. It is expected that cost-saving measures will continue, and that savings will be used to reduce future costs. These reviews are not focused simply on the operating budget but include the review of capital projects that can often have significant operational impacts beyond the debt service needed to repay any related borrowings.

With conservative financial practices, continued focus on cost-saving measures during regular financial reviews, and tight expenditure controls, the County retains the flexibility and capacity to manage through these challenging times. The County's property tax rate continues to be among the lowest in the State, thus retaining tax flexibility and capacity for the future. However, it is the goal to manage our way through these volatile times through a variety of measures, a balanced approach that considers the needs and priorities of our citizens. The continued focus will be to assure that adequate and sustainable resources are identified to address prioritized needs – both capital and operating – now and for the future.

Requests for Information

This financial report is designed to provide a general overview of St. Mary's County Government's finances for all those with an interest in the Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, Commissioners of St. Mary's County, 41770 Baldrige Street, P.O. Box 653, Leonardtown, Maryland 20650, or via email at Finance@stmarysmd.com.

COMMISSIONERS OF ST. MARY'S COUNTY

**Statement of Net Position
As of June 30, 2019**

	Primary Government			Component Units				Total
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority	
ASSETS								
Cash and cash equivalents	\$ 95,564,373	\$ 10,000	\$ 95,574,373	\$ 32,134,478	\$ 1,226,027	\$ 31,734,201	\$ -	\$ 160,669,079
Internal balances	(1,125,738)	1,125,738	-	-	-	-	-	-
Restricted cash and investments	4,563,078	35,209	4,598,287	-	96,945	-	-	4,695,232
Taxes receivable	1,978,129	-	1,978,129	-	-	-	-	1,978,129
Income tax reserve, funds held by the state	19,350,481	-	19,350,481	-	-	-	-	19,350,481
Due from other governments	-	-	-	9,298,103	-	-	188,604	9,486,707
Special assessments receivable	89,803	-	89,803	-	-	-	-	89,803
Notes receivable, Fire and Rescue loans	689,112	-	689,112	-	-	-	-	689,112
Accounts receivable	15,203,521	428,819	15,632,340	36,562	-	25,954,322	-	41,623,224
Inventory	1,325,694	25,210	1,350,904	141,488	-	138,851	-	1,631,243
Other	398,324	11,347	409,671	7,810	-	511,643	-	929,124
Unamortized bond discount	-	-	-	-	-	23,380	-	23,380
Fire and rescue loans, net of short term portion	2,663,398	-	2,663,398	-	-	-	-	2,663,398
Capital assets	539,376,543	23,115,931	562,492,474	425,269,617	5,491,087	240,515,633	-	1,233,768,811
Accumulated depreciation	(210,929,207)	(5,556,285)	(216,485,492)	(177,433,920)	(4,522,624)	(75,769,901)	-	(474,211,937)
Capital assets, net of accumulated depreciation	328,447,336	17,559,646	346,006,982	247,835,697	968,463	164,745,732	-	759,556,874
TOTAL ASSETS	469,147,511	19,195,969	488,343,480	289,454,138	2,291,435	223,108,129	188,604	1,003,385,786
DEFERRED OUTFLOWS OF RESOURCES								
Pension	11,664,199	-	11,664,199	2,148,438	-	929,635	-	14,742,272
OPEB	-	-	-	32,827,573	38,417	142,459	-	33,008,449
Bond refunding	-	-	-	-	-	325,725	-	325,725
Total assets and deferred outflows of resources	\$ 480,811,710	\$ 19,195,969	\$ 500,007,679	\$ 324,430,149	\$ 2,329,852	\$ 224,505,948	\$ 188,604	\$ 1,051,462,232

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

**Statement of Net Position
As of June 30, 2019**

	Primary Government			Component Units				
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority	Total
LIABILITIES								
Accounts payable	\$ 11,903,307	\$ 337,305	\$ 12,240,612	\$ 2,696,428	\$ 175,957	\$ 763,130	\$ -	\$ 15,876,127
Compensation related liabilities	7,878,529	485,017	8,363,546	16,383,760	50,090	-	-	24,797,396
Unearned revenue	3,988,078	437,819	4,425,897	8,130,994	546,272	22,213	-	13,125,376
Other liabilities	4,754,982	-	4,754,982	61,402	-	2,242,953	-	7,059,337
Non-current liabilities:								
Due within one year	11,673,327	206,066	11,879,393	941,864	-	6,084,112	-	18,905,369
Due in more that one year	94,601,859	131,180	94,733,039	5,302,087	115,683	86,213,503	-	186,364,312
Net pension liability	86,101,487	-	86,101,487	12,920,066	-	4,533,596	-	103,555,149
Net OPEB liability	10,123,051	-	10,123,051	348,695,444	1,166,640	3,057,649	-	363,042,784
TOTAL LIABILITIES	231,024,620	1,597,387	232,622,007	395,132,045	2,054,642	102,917,156	-	732,725,850
DEFERRED INFLOWS OF RESOURCES								
Pension	8,146,553	-	8,146,553	978,725	-	555,854	-	9,681,132
OPEB	13,093,100	-	13,093,100	27,118,035	221,585	294,107	-	40,726,827
Total liabilities and deferred inflows of resources	<u>252,264,273</u>	<u>1,597,387</u>	<u>253,861,660</u>	<u>423,228,805</u>	<u>2,276,227</u>	<u>103,767,117</u>	<u>-</u>	<u>783,133,809</u>
NET POSITION								
Net investment in capital assets	231,322,781	17,353,580	248,676,361	246,641,859	968,463	96,573,532	-	592,860,215
Restricted for:								
Capital asset purchases	28,085,864	-	28,085,864	-	-	-	-	28,085,864
Capital projects	-	-	-	89,152	-	-	-	89,152
Other purposes	-	-	-	-	96,945	15,372,482	-	15,469,427
Unrestricted	<u>(30,861,208)</u>	<u>245,002</u>	<u>(30,616,206)</u>	<u>(345,529,667)</u>	<u>(1,011,783)</u>	<u>8,792,817</u>	<u>188,604</u>	<u>(368,176,235)</u>
TOTAL NET POSITION	\$ 228,547,437	\$ 17,598,582	\$ 246,146,019	\$ (98,798,656)	\$ 53,625	\$ 120,738,831	\$ 188,604	\$ 268,328,423

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 10,254,444	\$ 1,455,859	\$ 1,117,085	\$ 3,049,971
Public safety	53,280,264	1,510,889	2,756,999	-
Public works	31,455,053	577,681	2,918,380	-
Health	2,789,716	-	491,834	-
Social services	4,522,183	2,000	933,667	-
Primary and secondary education	106,264,748	-	-	-
Post-secondary education	4,424,465	-	-	-
Parks, recreation and culture	8,004,172	168,469	25,429	546,459
Libraries	3,064,401	-	-	-
Conservation of natural resources	680,202	-	-	4,639,023
Economic development and opportunity	2,466,428	-	582,711	-
Interest on long-term debt	943,132	-	-	-
Other, including OPEB	4,163,946	986,993	-	72,593
Total governmental activities	<u>232,313,154</u>	<u>4,701,891</u>	<u>8,826,105</u>	<u>8,308,046</u>
Business-type activities				
Recreation activity	2,637,724	2,615,962	29,781	-
Wicomico	1,342,716	1,277,166	-	-
Solid waste/recycling	4,636,127	582,850	-	-
Total business-type activities	<u>8,616,567</u>	<u>4,475,978</u>	<u>29,781</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 240,929,721</u>	<u>\$ 9,177,869</u>	<u>\$ 8,855,886</u>	<u>\$ 8,308,046</u>
Component unit:				
Public schools	\$ 277,778,179	\$ 3,179,710	\$ 44,370,477	\$ 4,677,320
Library	6,677,191	202,961	727,353	-
MetCom	21,702,546	26,127,467	-	-
Building authority	850	-	-	-
Total Component Units	<u>\$ 306,158,766</u>	<u>\$ 29,510,138</u>	<u>\$ 45,097,830</u>	<u>\$ 4,677,320</u>
		Property taxes		
		Income taxes		
		Other taxes		
		Investment earnings		
		Grants and contributions not restricted to specific purposes		
		Environmental/solid waste fees		
		Roads constructed by third parties		
		Capital transfer		
		Miscellaneous		
		TOTAL GENERAL REVENUE		
		CHANGE IN NET POSITION		
		NET POSITION - BEGINNING OF YEAR		
		NET POSITION - END OF YEAR		

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Activities (continued) For the Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position							
Primary Government			Component Unit				
Governmental Activities	Business-Type Activities	Total	Public Schools	Library	MetCom	Building Authority	Total
\$ (4,631,529)	\$ -	\$ (4,631,529)	\$ -	\$ -	\$ -	\$ -	\$ (4,631,529)
(49,012,376)	-	(49,012,376)	-	-	-	-	(49,012,376)
(27,958,992)	-	(27,958,992)	-	-	-	-	(27,958,992)
(2,297,882)	-	(2,297,882)	-	-	-	-	(2,297,882)
(3,586,516)	-	(3,586,516)	-	-	-	-	(3,586,516)
(106,264,748)	-	(106,264,748)	-	-	-	-	(106,264,748)
(4,424,465)	-	(4,424,465)	-	-	-	-	(4,424,465)
(7,263,815)	-	(7,263,815)	-	-	-	-	(7,263,815)
(3,064,401)	-	(3,064,401)	-	-	-	-	(3,064,401)
3,958,821	-	3,958,821	-	-	-	-	3,958,821
(1,883,717)	-	(1,883,717)	-	-	-	-	(1,883,717)
(943,132)	-	(943,132)	-	-	-	-	(943,132)
(3,104,360)	-	(3,104,360)	-	-	-	-	(3,104,360)
(210,477,112)	-	(210,477,112)	-	-	-	-	(210,477,112)
-	8,019	8,019	-	-	-	-	8,019
-	(65,550)	(65,550)	-	-	-	-	(65,550)
-	(4,053,277)	(4,053,277)	-	-	-	-	(4,053,277)
-	(4,110,808)	(4,110,808)	-	-	-	-	(4,110,808)
(210,477,112)	(4,110,808)	(214,587,920)	-	-	-	-	(214,587,920)
-	-	-	(225,550,672)	-	-	-	(225,550,672)
-	-	-	-	(5,746,877)	-	-	(5,746,877)
-	-	-	-	-	4,424,921	-	4,424,921
-	-	-	-	-	-	(850)	(850)
-	-	-	(225,550,672)	(5,746,877)	4,424,921	(850)	(226,873,478)
110,200,973	-	110,200,973	-	-	-	-	110,200,973
116,793,920	-	116,793,920	-	-	-	-	116,793,920
21,906,185	-	21,906,185	-	-	-	-	21,906,185
1,794,906	-	1,794,906	615,712	16,058	561,749	-	2,988,425
-	-	-	199,729,454	4,877,288	-	-	204,606,742
-	4,080,280	4,080,280	-	-	-	-	4,080,280
3,366,108	-	3,366,108	-	-	-	-	3,366,108
-	-	-	-	-	-	-	-
-	8,319	8,319	1,389,353	3,955	3,159,840	-	4,561,467
254,062,092	4,088,599	258,150,691	201,734,519	4,897,301	3,721,589	-	468,504,100
43,584,980	(22,209)	43,562,771	(23,816,153)	(849,576)	8,146,510	(850)	18,897,042
184,962,457	17,620,791	202,583,248	(74,982,503)	903,201	112,592,321	189,454	241,285,721
\$ 228,547,437	\$ 17,598,582	\$ 246,146,019	\$ (98,798,656)	\$ 53,625	\$ 120,738,831	\$ 188,604	\$ 260,182,763

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Balance Sheet – Governmental Funds As of June 30, 2019

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 95,564,373	\$ -	\$ -	\$ 95,564,373
Due from other funds	-	32,627,804	2,530,016	35,157,820
Restricted cash and investments	4,563,078	-	-	4,563,078
Taxes receivable	1,921,906	-	56,223	1,978,129
Income tax reserve, funds held by the state	19,350,481	-	-	19,350,481
Special tax assessments receivable	-	-	328	328
Notes receivable, Fire and Rescue loans	-	-	689,112	689,112
Accounts receivable	14,076,622	1,796,952	-	15,873,574
Inventory	1,325,694	-	-	1,325,694
Other	398,324	-	-	398,324
	-	-	-	-
Note receivable, fire and rescue loans, (net of current portion)	-	-	2,663,398	2,663,398
Special tax assessments receivable, (net of current portion)	-	-	89,475	89,475
TOTAL ASSETS	\$ 137,200,478	\$ 34,424,756	\$ 6,028,552	\$ 177,653,786
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,094,907	\$ 8,992,657	\$ 815,743	\$ 11,903,307
Compensation-related liabilities	7,859,621	-	18,908	7,878,529
Unearned revenue	538,363	-	3,449,715	3,988,078
Other liabilities	4,757,865	-	(2,883)	4,754,982
Due to other funds	36,953,611	-	-	36,953,611
Due to other governments	-	-	-	-
TOTAL LIABILITIES	52,204,367	8,992,657	4,281,483	65,478,507
DEFERRED INFLOWS OF RESOURCES				
Unavailable income tax distribution	19,350,481	-	-	19,350,481
FUND BALANCES				
Nonspendable	2,091,715	-	-	2,091,715
Restricted	289,194	27,796,670	-	28,085,864
Committed	30,800,334	-	1,747,069	32,547,403
Assigned	2,118,088	-	-	2,118,088
Unassigned	30,346,299	(2,364,571)	-	27,981,728
TOTAL FUND BALANCES	65,645,630	25,432,099	1,747,069	92,824,798
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 137,200,478	\$ 34,424,756	\$ 6,028,552	\$ 177,653,786

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2019

Fund balance of governmental funds	\$ 92,824,798
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	328,447,336
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements	
	19,350,481
Deferred outflow and inflow of resources related net deferred pension activity are not financial resources and therefore are not reported in the funds	
	(9,575,454)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(97,124,555)
Compensated absences	(5,495,631)
Landfill post-closure costs	(3,655,000)
Net pension liability	(86,101,487)
Net OPEB liability	<u>(10,123,051)</u>
Net position of governmental activities	<u>\$ 228,547,437</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
REVENUE				
Property taxes	\$ 110,200,973	\$ -	\$ -	\$ 110,200,973
Income taxes	97,443,439	-	-	97,443,439
Energy taxes	1,017,105	-	-	1,017,105
Recordation taxes	6,387,490	-	-	6,387,490
Transfer taxes	-	7,365,507	150,000	7,515,507
Agricultural/development taxes	-	644,377	-	644,377
Impact fees	-	3,144,083	-	3,144,083
Other local taxes	1,522,713	-	-	1,522,713
Highway user revenues	1,674,910	-	-	1,674,910
Licenses and permits	1,547,506	-	-	1,547,506
Intergovernmental	6,193,223	8,597,250	-	14,790,473
Charges for services	3,365,994	-	-	3,365,994
Fines and forfeitures	223,225	-	-	223,225
Special assessments	-	-	72,789	72,789
Other revenues	2,077,767	-	3,374,746	5,452,513
Total Revenue	<u>231,654,345</u>	<u>19,751,217</u>	<u>3,597,535</u>	<u>255,003,097</u>
EXPENDITURES				
General government	23,672,862	16,972,775	-	40,645,637
Public safety	45,633,466	1,250,993	3,602,243	50,486,702
Public works	10,381,218	12,726,002	-	23,107,220
Health	2,789,716	-	-	2,789,716
Social services	4,418,434	-	-	4,418,434
Primary and secondary education	106,264,748	4,594,213	-	110,858,961
Post-secondary education	4,375,137	-	-	4,375,137
Parks, recreation and culture	4,053,440	2,818,698	-	6,872,138
Libraries	2,878,050	-	-	2,878,050
Conservation of natural resources	680,202	7,088,846	-	7,769,048
Economic development and opportunity	2,463,971	-	-	2,463,971
Debt service - principal and interest	11,635,436	176,402	42,369	11,854,207
Other	4,163,946	-	-	4,163,946
Total Expenditures	<u>223,410,626</u>	<u>45,627,929</u>	<u>3,644,612</u>	<u>272,683,167</u>
Excess (Deficiency) Of Revenue Over Expenditures	<u>8,243,719</u>	<u>(25,876,712)</u>	<u>(47,077)</u>	<u>(17,680,070)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds	-	31,948,154	-	31,948,154
Fire & rescue loan repayments	-	-	657,717	657,717
Loans to fire and rescue	-	-	(775,309)	(775,309)
Capital projects - general fund pay-go	(2,774,891)	2,774,891	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,774,891)</u>	<u>34,723,045</u>	<u>(117,592)</u>	<u>31,830,562</u>
NET CHANGES IN FUND BALANCE	<u>5,468,828</u>	<u>8,846,333</u>	<u>(164,669)</u>	<u>14,150,492</u>
FUND BALANCES - BEGINNING OF YEAR	<u>60,176,802</u>	<u>16,585,766</u>	<u>1,911,738</u>	<u>78,674,306</u>
FUND BALANCES - END OF YEAR	<u>\$ 65,645,630</u>	<u>\$ 25,432,099</u>	<u>\$ 1,747,069</u>	<u>\$ 92,824,798</u>

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2019

Net changes in fund balances in governmental funds \$ 14,150,492

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay capitalized	\$ 40,603,495	
Depreciation and loss on disposal	<u>(14,188,316)</u>	26,415,179

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond, capital lease and installment purchase principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

Net pension liability and net OPEB liability and related deferred outflows and inflows	\$ 2,979,760	
Compensated absences and pension liability	(222,007)	
Issuance of debt	(30,000,000)	
Payments of debt principal	<u>10,911,075</u>	(16,331,172)

Revenue and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.

		<u>19,350,481</u>
Change in net position of governmental activities	\$	<u>43,584,980</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position - Proprietary Funds
As of June 30, 2019

	Business-Type Activities			Total
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ 10,000	\$ -	\$ 10,000
Due from other funds	997,742	-	822,829	1,820,571
Restricted cash from investments	-	8,357	26,852	35,209
Accounts receivable	178,171	152,188	98,460	428,819
Inventory	-	25,210	-	25,210
Other assets	-	11,347	-	11,347
Total current assets	1,175,913	207,102	948,141	2,331,156
Noncurrent Assets				
Capital assets	313,302	6,538,560	16,264,069	23,115,931
Accumulated depreciation	(224,891)	(3,022,394)	(2,309,000)	(5,556,285)
Capital assets, net	88,411	3,516,166	13,955,069	17,559,646
Total Assets	\$ 1,264,324	\$ 3,723,268	\$ 14,903,210	\$ 19,890,802
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts payable	30,191	69,534	237,580	337,305
Compensation-related liabilities	101,858	120,164	262,995	485,017
Due to from other funds	-	23,666	-	23,666
Unearned revenue	352,635	85,184	-	437,819
Total current liabilities	484,684	298,548	500,575	1,283,807
Noncurrent Liabilities				
Due within one year:				
Financing agreements	-	34,830	171,236	206,066
Advance from general fund	-	76,249	-	76,249
Due in more than one year:				
Financing agreements	-	-	-	-
Advance from general fund	-	594,918	-	594,918
Compensated absences	-	59,657	71,523	131,180
Total noncurrent liabilities	-	765,654	242,759	1,008,413
Total Liabilities	484,684	1,064,202	743,334	2,292,220
NET POSITION				
Net investment in capital assets	88,411	3,481,336	13,783,833	17,353,580
Unrestricted	691,229	(822,270)	376,043	245,002
Total Net Position	779,640	2,659,066	14,159,876	17,598,582
Total Liabilities and Net Position	\$ 1,264,324	\$ 3,723,268	\$ 14,903,210	\$ 19,890,802

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities			Total
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	
OPERATING REVENUE				
Charges for services	\$ 2,615,962	\$ 1,277,166	\$ 582,850	\$ 4,475,978
Environmental/solid waste fees	-	-	4,080,280	4,080,280
TOTAL OPERATING REVENUE	2,615,962	1,277,166	4,663,130	8,556,258
OPERATING EXPENSES				
Personal services	1,641,440	645,388	1,094,963	3,381,791
Operating supplies	256,479	284,095	32,655	573,229
Professional services	270,680	82,406	1,631,642	1,984,728
Communications	9,402	3,392	5,775	18,569
Transportation	51,703	27,269	66,671	145,643
Rentals	138,854	49,956	52,630	241,440
Public utilities	214,683	70,941	22,318	307,942
Other operating costs	4,409	14,918	66,385	85,712
Tipping fees	-	-	1,247,235	1,247,235
Retiree health benefits (OPEB)	-	36,000	23,000	59,000
Equipment	31,070	18,449	194,520	244,039
Depreciation	19,004	109,902	198,333	327,239
TOTAL OPERATING EXPENSES	2,637,724	1,342,716	4,636,127	8,616,567
OPERATING INCOME (LOSS)	(21,762)	(65,550)	27,003	(60,309)
OTHER INCOME (EXPENSE)				
Use of exempt financing	-	-	-	-
Grants revenue	29,781	-	-	29,781
Other	34	(41,823)	50,108	8,319
TOTAL OTHER INCOME (EXPENSE)	29,815	(41,823)	50,108	38,100
NET CHANGES IN NET POSITION	8,053	(107,373)	77,111	(22,209)
NET POSITION - BEGINNING OF YEAR	771,587	2,766,439	14,082,765	17,620,791
NET POSITION - END OF YEAR	\$ 779,640	\$ 2,659,066	\$ 14,159,876	\$ 17,598,582

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

**Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2019**

	<u>Recreation Activity Fund</u>	<u>Wicomico</u>	<u>Solid Waste / Recycling</u>	<u>Total</u>
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,511,350	\$ 1,182,317	\$ 4,643,303	\$ 8,336,970
Payments to suppliers	(1,006,477)	(552,893)	(3,311,334)	(4,870,704)
Payments to employees	(1,644,408)	(668,922)	(1,051,825)	(3,365,155)
Net Cash from Operating Activities	<u>(139,535)</u>	<u>(39,498)</u>	<u>280,144</u>	<u>101,111</u>
Cash Flows from Noncapital Financing Activities				
Grants and other activity	29,815	(41,823)	50,108	38,100
Increase (decrease) in due to/from other funds	109,720	61,354	(120,692)	50,382
Net Cash from Noncapital Financing Activities	<u>139,535</u>	<u>19,531</u>	<u>(70,584)</u>	<u>88,482</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on long term debt	-	-	(159,452)	(159,452)
Acquisition and construction of capital assets	-	(21,917)	(184,692)	(206,609)
Net Cash from Capital and Related Financing Activities	<u>-</u>	<u>(21,917)</u>	<u>(344,144)</u>	<u>(366,061)</u>
Net change in cash	-	(41,884)	(134,584)	(176,468)
Cash, Beginning of Year	-	60,241	161,436	221,677
Cash, End of Year	<u>\$ -</u>	<u>\$ 18,357</u>	<u>\$ 26,852</u>	<u>\$ 45,209</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating income (loss)	\$ (21,762)	\$ (65,550)	\$ 27,003	\$ (60,309)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	19,004	109,902	198,333	327,239
Changes in assets and liabilities:				
Accounts receivable	(174,025)	(96,021)	(19,827)	(289,873)
Inventory	-	4,366	-	4,366
Other assets	-	-	-	-
Accounts payable	(29,197)	(5,833)	8,497	(26,533)
Compensation-related liabilities	(2,968)	16,868	67,145	81,045
Unearned revenue	69,413	1,172	-	70,585
Compensated absences	-	(4,402)	(1,007)	(5,409)
Net Cash from Operating Activities	<u>\$ (139,535)</u>	<u>\$ (39,498)</u>	<u>\$ 280,144</u>	<u>\$ 101,111</u>

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

**Statement of Net Position – Fiduciary Funds
As of June 30, 2019**

	<u>Sheriff's Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary's County</u>	<u>Total</u>
ASSETS				
Cash	\$ 4,998,815	\$ 49,536	\$ 1,147,526	\$ 6,195,877
Investments	86,282,359	2,294,416	84,800,364	173,377,139
Accounts receivable	-	800,000	-	800,000
NET POSITION				
Held in trust for pension and OPEB	<u>\$ 91,281,174</u>	<u>\$ 3,143,952</u>	<u>\$ 85,947,890</u>	<u>\$ 180,373,016</u>

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

**Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2019**

	<u>Sheriff's Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary's County</u>	<u>Total</u>
ADDITIONS				
Contributions- employer	\$ 5,643,874	\$ 1,815,022	\$ 3,390,502	\$ 10,849,398
Contributions- employee	1,102,602	-		1,102,602
Interest and dividends	1,783,681	54,233	2,941,790	4,779,704
Net realized and unrealized gains	1,650,792	96,441	3,862,700	5,609,933
Total additions	10,180,949	1,965,696	10,194,992	22,341,637
DEDUCTIONS				
Benefits	4,430,072	1,015,022	3,390,502	8,835,596
Administrative expenses	162,103	21,707	574,537	758,347
TOTAL DEDUCTIONS	4,592,175	1,036,729	3,965,039	9,593,943
CHANGES IN NET POSITION	5,588,774	928,967	6,229,953	12,747,694
NET POSITION - BEGINNING OF YEAR	85,692,400	2,214,985	79,717,937	167,625,322
NET POSITION - END OF YEAR	\$ 91,281,174	\$ 3,143,952	\$ 85,947,890	\$ 180,373,016

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

St. Mary's County (the County), the first Maryland County, was established in 1637. The Board of County Commissioners is composed of five Commissioners elected for four-year terms. Four Commissioners represent specific election districts while the President of the Commissioners runs at large. All Commissioners are elected by the voters of the entire County. The County operates under a line-organizational method, with a County Administrator being responsible for the general administration of the County government. The Chief Financial Officer is responsible for financial reporting, debt management, investment management, procurement, and budgeting functions. The Treasurer is responsible for the collection of real and personal property taxes. The County provides the following services: public safety, highway and streets, health and social services, recreation, education, public improvements, planning and zoning, sewage and water treatment and general administrative services. Component units are also included as part of the Financial reporting entity.

The financial statements of the reporting entity include those of the Commissioners of St. Mary's County (the primary government) and its component units. As defined by GASB Statement Numbers 14, 39 and 61, component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the four organizations identified on the following page are considered component units of the County. Their financial data is discretely presented in separate columns in the government-wide financial statements. All discretely presented component units have a June 30 year-end.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

Except for the Board of Education of St. Mary's County, the governing bodies of all these component units are appointed by Commissioners of St. Mary's County.

St. Mary's County Public Schools – In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Board of Education of St. Mary's County is to operate the local public-school system in accordance with State and community standards. The school system does not have the authority to levy any taxes or incur debt. Schools are funded with local, State and Federal monies. St. Mary's County has oversight responsibility for approval and partial funding of the school system's operating budget.

St. Mary's County Metropolitan Commission is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary's County, Maryland.

St. Mary's County Building Authority Commission was created by the Maryland General Assembly as an instrumentality of the County to acquire title to property within St. Mary's County for construction, renovation, or rehabilitation. The Building Authority Commission currently does not own or lease any property. Until June 2010, they owned and leased property to the St. Mary's Nursing Center, Inc. Until June 2013, they also owned and leased property to the State of Maryland; the Carter State Office Building was transferred to the State of Maryland in FY2013. 2019 Legislation HB0359/CH0181 was approved by the Governor to repeal the St. Mary's County Building Commission.

St. Mary's County Library operates a main library in Leonardtown and branch libraries in Lexington Park and Charlotte Hall.

Financial statements of the individual component units can be obtained from their respective administrative offices.

St. Mary's County Public Schools
23160 Moakley Street
Leonardtown, Maryland 20650

St. Mary's County Metropolitan Commission
23121 Camden Way
California, Maryland 20619

St. Mary's County Building Authority Commission
41770 Baldrige Street
P.O. Box 653, Chesapeake Building
Leonardtown, Maryland 20650

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

St. Mary's County Library
23250 Hollywood Road
Leonardtown, Maryland 20650

Basis of Presentation

The financial statements of the Commissioners of St. Mary's County, (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include various agencies, department organizations and offices which are legally part of St. Mary's County (the Primary Government) and the County's Component Units.

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting the County's most significant funds), and fiduciary financial statements (reporting on the County's pension funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues. The County's public safety, public transportation, health and social services, some parks and recreation activities, public works and general administrative services are classified as governmental activities. Business-type activities rely significantly on fees and charges for support. The County's Recreation and Park programs, the Wicomico Golf Course and Solid Waste and Recycling are classified as business-type activities.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts – (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements (continued)

The net position restricted for other purposes results from special revenue funds and the restrictions on their net position use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.) which are properly not included among program revenues. The County has an indirect cost allocation plan which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs. Indirect costs are not normally charged to general government activities.

Fund Financial Statements

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria (percentage of the assets, deferred outflow of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. No major funds by category are summarized into a single column.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements, to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Governmental Funds

The measurement focus of the governmental fund financial statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County.

1. General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
2. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The Special Revenue Funds of the County are non-major funds.
3. Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund.
4. Debt Service Fund is a non-major fund used to account for servicing of long-term debt.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds

The focus of proprietary fund measurement is based upon determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary (Enterprise) Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity, (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to cover similar costs.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. When these assets are held under the terms of a formal trust agreement either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to proprietary funds.

The County operates three pension trust funds. The plans account for the retirement benefits for the St. Mary's County Maryland Sheriff's Office Retirement Plan, and the Volunteer Fire Department and Rescue Squad, and the Retiree Health Benefit Plan. Since, by definition these assets are held for the benefit of a third party (pension participants and eligible retirees) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. All three are presented in the fiduciary fund financial statements.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

- a. **Accrual Basis** – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.
- b. **Modified Accrual Basis** – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means knowing or able to reasonably estimate the amount. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.
- c. **Budget Basis of Accounting** - Actual results of operations are presented in the Statement of Revenues, Expenditures, Encumbrances, and Other Financing Sources and Uses - Budget (Non-GAAP Basis) and Actual - General Fund, in order to provide a meaningful comparison of actual results with budget estimates. Under the budget basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only a reservation of fund balance as on a GAAP basis.

Measurement Focus

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b.) below.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus (continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. The fund financial statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary and fiduciary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Accounting Policies

The more significant accounting policies established in the GAAP and used by the County are discussed below.

Budget and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted (GAAP) in the United States of America. All annual operating appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the capital projects fund. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1 of each year, the Commissioners of St. Mary's County shall have prepared a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. The budget is legally enacted through passage of an ordinance by June 1.
- d. All revisions that alter the expenditures of each fund must be approved by the Commissioners of St. Mary's County or the Chief Financial Officer.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies (continued)

- e. Formal budgetary integration is employed as a management control device during the year for the general fund, special assessment fund and enterprise funds.
- f. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that appropriations of fund balance are treated as other financing sources. Budget comparisons presented for the general fund in this report are on a non-GAAP basis. The capital projects funds' budgets are prepared on a project-length basis, and accordingly, annual budgetary comparisons are not presented in the financial statements. The enterprise funds' budgets are flexible annual operating budgets. Budgetary comparisons are not presented in the financial statements for the enterprise funds.
- g. The budgeted amounts are as adopted, including amendments, by the Commissioners of St. Mary's County.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

Cash, Cash Equivalents, and Investments

Cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired. State statutes authorize investments in obligations of the United States government, federal government agency obligations and repurchase agreements. Investments are stated at cost.

The operating cash balances for all funds are commingled and shown in the governmental activities on the statement of net position and in the general fund on the governmental fund balance sheet.

Investments in the Pension Trust Fund of the Sheriff's Department Retirement Plan, the Length of Service Award Program and the Retiree Health Benefit Plan are carried at fair value as determined on June 30 of each year, based on appraisals or quotations by an independent investment counselor. These investments are offset by a restriction, which indicates that they do not constitute available spendable resources even though they are a component of net position. The trusts are governed by separate investment policies and allow investments in common stocks, equity funds, fixed income and alternative investments.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term receivables

Noncurrent portions of long-term receivables are reported on the balance sheet in spite of their spending measurement focus. The long-term portion of receivables is offset by a non-spendable fund balance in the general fund, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

Annual, Personal, and Sick and Safe Leave Benefits

Full-time employees can earn annual leave at a rate of from 80 hours per year (one through five years of service) up to a maximum of 200 hours per year (if over twenty years of service). Leave for permanent part-time employees is prorated according to the number of hours worked.

There are no requirements that annual leave be taken; however, the maximum permissible accumulation to be carried into the new calendar year is 360 hours for full-time employees and 180 hours for permanent part-time employees. At calendar year end, any hours in excess of 360 hours for full-time employees and 180 hours for permanent part-time employees are deducted from the employees' annual leave balance and credited to their sick and safe leave balance. At termination, employees are paid for any accumulated annual leave.

Full-time and permanent part-time employees earn sick and safe leave based upon the number of hours worked, with a maximum of 120 hours earned per year. There is no limit to the accumulation of sick and safe leave. At termination, employees are not paid for accumulated sick and safe leave, nor is credit provided for employees that retire on early retirements. However, at regular retirement, employees who have been employed by the County for five years are eligible to receive service credit at a rate of one month for every 160 hours of unused sick and safe leave. Persons that are reinstated in the County service within one year from the time of their separation shall receive full credit for all sick and safe leave accumulated at time of separation.

Full-time employees are entitled to compensatory time off for work performed in excess of the normal work period. The maximum permissible accumulation to be carried into the new calendar year is 240 hours for non-law enforcement employees and 480 hours for law enforcement employees and correctional officers. An employee leaving County service shall receive a lump sum payment at their current rate of pay for any unused accumulated annual leave.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

With the implementation of GASB Statement No. 34, the County has recorded its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.

The purpose of depreciation is to spread the cost of capital assets equitably among all uses over the lives of these assets. The amount charged to depreciation expense each year represents that year's prorata share of capital assets.

The method of depreciation being used for all governmental-type assets placed in service as a result of GASB Statement No. 34 is the straight-line half-year convention. Only assets greater than or equal to \$5,000 will be depreciated.

Property, plant and equipment of the primary government and the component units are depreciated using the straight-line method (half-year convention) over the following estimated useful lives:

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Primary Government

Buildings and improvements	50 years
Computer equipment	5 years
Other equipment	5-10 years
Vehicles licensed	5-8 years
Off-road vehicles	5-10 years
Miscellaneous equipment	5-10 years
Infrastructure	10-50 years

Component units

St. Mary's County Public Schools

Buildings and improvements	20-50 years
Furniture and equipment	5-15 years

St. Mary's County Library

Leasehold improvements	50 years
Furnishings and equipment	5 years
Vehicles	5 years
Books	7 years

St. Mary's County Metropolitan Commission

Utility plants	18-50 years
Water plant systems	18-50 years
Equipment	3-10 years
Capitalized interest	50 years
Buildings	20-30 years

St. Mary's County Building Authority Commission

Buildings	40 years
Furniture and equipment	10 years

Inventory and Prepaid Expenditures

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory in the general fund, special revenue funds and enterprise funds consists of expendable supplies held for consumption. Reported inventories and prepaid expenditures in the general fund are offset by a nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities statement of net position, or proprietary fund type balance sheet. Bond premiums and discounts are deferred and amortized over the life of the bond.

Pension Accounting

Employee contributions are recognized in the Pension Trust Funds in the period the contributions are due. Employer contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are funded from investment income. Any net pension obligation or asset is calculated on an actuarial basis consistent with the requirements of GASB Statement No 27 – Accounting for Pensions by State and Local Government Employers. Expenditures are recognized when are paid or are expected to be paid with current available resources. The net pension obligation (asset) is reported in the government-wide financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Primary Government

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term securities and certificates of deposit with an original maturity of three months or less.

Investments held by the County, including the pension and retiree health benefit funds, are stated at fair value. Fair value is based on quoted market prices at year end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County is charged with the responsibility for selecting depositories and investing the idle funds as directed by the State and County Codes. The County is further restricted as to the types of deposits and investments in accordance with the County's investment policy.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

Cash Deposits

As of June 30, 2019, the carrying amount of the County's deposits was \$100,172,660 (in addition, petty cash totaling \$12,600 at various County departments) and the collected bank balance was \$103,210,214. Of the collected bank balance, \$2,242,973 was covered by Federal Deposit Insurance Corporation (FDIC), and \$100,967,241 was covered by collateral held either in the pledging bank's trust department or by the pledging bank's agent.

Investments

Statutes authorize the County to invest in short-term United States government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 270 days. Statutes also authorize the County to invest in the Local Government Investment Pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used. The fiduciary funds have separate formal investment policies which allow alternative investments at the discretion of the Trustees.

Money market account is not evidenced by securities.

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. As permitted by GASB 79, the MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the

MLGIP shares. The MLGIP is rated "AAAM" by Standards and Poor's. The County is not subject to any limitations or restrictions on withdrawals of its investments in the MLGIP.

None of the County's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

2. CASH AND SHORT-TERM INVESTMENTS (continued)

The summary below identifies the fair market value levels of the investments of the primary government and fiduciary funds as of June 30, 2019.

Primary Government

	Level 1	Level 2	Level 3	Balance
<u>Investments at fair value level</u>				
Retiree Benefit Trust (OPEB):				
Cash and equivalents	\$ 1,147,526	\$ -	\$ -	\$ 1,147,526
Common stock/equity funds	-	48,887,397	-	48,887,397
Bond funds	-	15,530,013	-	15,530,013
Venture/ltd. partnership/closely held	-	-	19,136,580	19,136,580
MACo OPEB pooled account	-	1,246,374	-	1,246,374
Length of Service Awards Trust (LOSAP):				
Cash and equivalents	49,536	-	-	49,536
Bond funds	-	914,604	-	914,604
Equity funds	-	1,379,812	-	1,379,812
Pension Fund: Sheriff's Office Retirement Plan:				
Cash and equivalents	4,998,815	-	-	4,998,815
Bond funds	-	18,394,399	-	18,394,399
Common stock	-	14,621,412	-	14,621,412
Venture/ltd. partnership/closely held	-	-	12,331,857	12,331,857
Equity funds	-	36,309,452	-	36,309,452
Real Estate funds	-	4,625,239	-	4,625,239
Total investments at fair value	\$ 6,195,877	\$ 141,908,702	\$ 31,468,437	\$ 179,573,016

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

2. CASH AND SHORT-TERM INVESTMENTS (continued)

PRIMARY GOVERNMENT (continued)

Investments (continued)

The summary below identifies the fair market value levels of the investments of the MACo Pooled Investment Trust as of June 30, 2019.

Investments at fair value

	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. Treasury obligations	\$ -	\$ 2,704,422	\$ -	\$ 2,704,422
U.S. Governmental agencies	-	2,517,733	-	2,517,733
Corporate & foreign bonds	-	5,566,111	-	5,566,111
Municipal obligations	-	536,004	-	536,004
Equity Investments:				
Taxable fixed income funds	-	2,301,657	-	2,301,657
Mutual funds	17,110,521	-	-	17,110,521
Global funds	2,568,839	-	-	2,568,839
International	7,782,289	-	-	7,782,289
Total	\$ 27,461,649	\$ 13,625,927	\$ -	\$ 41,087,576

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

The County may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

Component Units

St. Mary's County Public Schools

Deposits

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2019, all of the School System's deposits, including the certificate of deposit, were either covered by federal depository insurance or were covered by collateral held by the School System's agent in the School System's name.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Public Schools

Investments

Maryland State Law authorizes the School System to invest in obligations of the United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations, the State's sponsored investment pool, or interest-bearing accounts in any bank. At June 30, 2019, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The School System has no policy on credit risk.

The carrying amount and market value of such investments were \$24,145,448, \$423,605, and \$603,674 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940, which is MLGIP's share price.

The School System is not subject to any limitations or restrictions on withdrawals of its investments in MLGIP.

St. Mary's County Library

Cash Deposits and Investments

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

As of June 30, 2019, the carrying amount of the Library's cash was \$214,209, and the bank balances totaled \$224,601. The Library's bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2019, there was no uninsured and uncollateralized bank balances.

Investments in the Maryland Local Government Investment Pool (MLGIP), an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The separately issued financial statement of the MLGIP may be obtained by contacting the contractor.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Library

	<u>Carrying Amount</u>	<u>Market Value</u>
Unrestricted:		
Investment in the Maryland Local Government Investment Pool	\$ 1,011,818	\$ 1,011,818
Restricted		
The Vanguard Group	\$ 96,945	\$ 96,945

None of the Library's deposits or investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

Statutes authorize the Library to invest in obligations of the United States government, federal government agency obligations, repurchase agreements secured by direct government or agency obligations, certificates of deposit, banks' acceptances, commercial paper, pooled investments and municipal bonds and municipal mutual funds.

St. Mary's County Metropolitan Commission

Deposits

The carrying amount of MetCom's deposits was \$31,734,201 as of June 30, 2019 and the bank balance was \$33,531,120. Of the bank balances, \$500,000 was covered by federal depository insurance as of June 30, 2019 with the remaining \$6,550,545, adequately covered by collateral.

Cash and cash equivalents consisted of the following:

Investments	\$ 9,651,758
Broker deposits- CDARS	16,827,317
Cash	7,050,545
Petty cash	1,500
	<u>\$33,531,120</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission

Investments

Investments in the MLGIP are not evidenced by securities. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAAM by Standard and Poor's. As of June 30, 2019, MetCom's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk. The Pool is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments as of June 30, 2019 was \$9,651,758.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

3. CAPITAL ASSETS

Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2018	Additions	Transfers/ Disposals	Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,579,550	\$ 5,312,858	\$ (52,186)	\$ 43,840,222
Construction in progress	15,604,411	30,092,120	(18,553,211)	27,143,320
911 system & equipment	1,423,733	-	-	1,423,733
Total capital assets not being depreciated	55,607,694	35,404,978	(18,605,397)	72,407,275
Capital assets being depreciated:				
Buildings & improvements	118,600,681	1,723,328	-	120,324,009
Computer equipment	2,842,667	13,172	(130,000)	2,725,839
Other equipment	328,535	-	(5,227)	323,308
Vehicles - licensed	16,045,000	3,399,969	(1,710,343)	17,734,626
Off-road vehicles	2,791,043	51,228	-	2,842,271
Miscellaneous equipment	7,049,601	2,129,051	(140,476)	9,038,176
Roads	231,381,329	9,111,400	-	240,492,729
Curbing	946,791	-	-	946,791
Sidewalks	1,128,839	-	-	1,128,839
Guardrails	1,707,192	115,725	-	1,822,917
Airport infrastructure	4,919,224	-	-	4,919,224
Airport equipment	579,104	-	-	579,104
Baseball fields	802,670	-	-	802,670
Bridges	8,826,922	240,931	-	9,067,853
Parks & recreation	18,311,434	2,729,177	-	21,040,611
Marinas & docks	8,393,600	-	-	8,393,600
Irrigation systems	241,853	-	-	241,853
Signage	638,085	-	-	638,085
Parking lots	1,067,134	-	-	1,067,134
911 system & equipment	18,549,696	4,289,933	-	22,839,629
Total capital assets being depreciated	445,151,400	23,803,914	(1,986,046)	466,969,268
Accumulated depreciation for:				
Buildings & improvements	(49,670,481)	(2,347,242)		(52,017,723)
Computer equipment	(2,457,769)	(127,555)	130,000	(2,455,324)
Other equipment	(220,269)	(14,089)	4,613	(229,745)
Vehicles - licensed	(10,520,890)	(1,633,427)	1,676,429	(10,477,888)
Off-road vehicles	(1,663,892)	(118,370)	-	(1,782,262)
Miscellaneous equipment	(4,945,204)	(490,942)	126,187	(5,309,959)
Roads	(97,946,136)	(7,094,938)	-	(105,041,074)
Curbing	(786,894)	(21,700)	-	(808,594)
Sidewalks	(586,495)	(25,314)	-	(611,809)
Guardrails	(639,079)	(40,658)	-	(679,737)
Airport infrastructure	(4,666,425)	(36,244)	-	(4,702,669)
Airport equipment	(557,269)	(8,735)	-	(566,004)

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements
June 30, 2019

3. CAPITAL ASSETS (continued)

	Balance June 30, 2018	Additions	Transfers/ Disposals	Balance June 30, 2019
Accumulated depreciation for: (continued)				
Baseball fields	(497,961)	(15,184)	-	(513,145)
Bridges	(3,283,748)	(179,040)	-	(3,462,788)
Parks & recreation	(6,263,767)	(679,786)	-	(6,943,553)
Marinas & docks	(5,798,052)	(208,418)	-	(6,006,470)
Irrigation systems	(148,223)	(5,787)	-	(154,010)
Signage	(444,092)	(7,975)	-	(452,067)
Parking lots	(579,250)	(65,320)	-	(644,570)
911 equipment	(7,051,041)	(1,018,775)	-	(8,069,816)
Total accumulated depreciation	<u>(198,726,937)</u>	<u>(14,139,499)</u>	<u>1,937,229</u>	<u>(210,929,207)</u>
Total capital assets being depreciated, net	<u>246,424,463</u>	<u>9,664,415</u>	<u>(48,817)</u>	<u>256,040,061</u>
Governmental activities capital assets, net	<u>\$ 302,032,157</u>	<u>\$ 45,069,393</u>	<u>\$ (18,654,214)</u>	<u>\$ 328,447,336</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,078,666	\$ -	\$ -	1,078,666
Solid waste facilities	<u>13,220,472</u>	<u>-</u>	<u>-</u>	<u>13,220,472</u>
Total capital assets not being depreciated	<u>14,299,138</u>	<u>-</u>	<u>-</u>	<u>14,299,138</u>
Capital assets being depreciated:				
Buildings & improvements	4,382,984	-	-	4,382,984
Computer equipment	57,188	-	-	57,188
Other equipment	39,359	-	-	39,359
Vehicles - licensed	2,269,792	196,470	(395,609)	2,070,653
Off-road vehicles	1,098,022	-	49,993	1,148,015
Miscellaneous equipment	586,691	21,916	-	608,607
Irrigation systems	<u>509,986</u>	<u>-</u>	<u>-</u>	<u>509,986</u>
Total capital assets being depreciated	<u>8,944,022</u>	<u>218,386</u>	<u>(345,616)</u>	<u>8,816,792</u>
Accumulated depreciation for:				
Buildings & improvements	(1,915,671)	(89,085)	-	(2,004,756)
Computer equipment	(57,188)	-	-	(57,188)
Other equipment	(39,024)	(335)	-	(39,359)
Vehicles - licensed	(1,782,102)	(142,468)	380,888	(1,543,682)
Off-road vehicles	(871,448)	(59,071)	(49,993)	(980,512)
Miscellaneous equipment	(501,692)	(16,643)	-	(518,335)
Irrigation systems	<u>(395,759)</u>	<u>(16,694)</u>	<u>-</u>	<u>(412,453)</u>
Total accumulated depreciation	<u>(5,562,884)</u>	<u>(324,296)</u>	<u>330,895</u>	<u>(5,556,285)</u>
Total capital assets being depreciated, net	<u>3,381,138</u>	<u>(105,910)</u>	<u>(14,721)</u>	<u>3,260,507</u>
Business-type activities capital assets, net	<u>\$ 17,680,276</u>	<u>\$ (105,910)</u>	<u>\$ (14,721)</u>	<u>\$ 17,559,645</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

3. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental activities</u>	
General Government	\$ 1,524,185
Public Safety	2,793,562
Public Works	8,347,833
Social Services	103,749
Post-Secondary Education	49,328
Parks, Recreation, and Culture	1,132,034
Libraries	186,351
Economic Development and Opportunity	<u>2,457</u>
Total Depreciation - Governmental Activities	\$ <u>14,139,499</u>
<u>Business-type activities</u>	
Recreation Activity Fund	\$ 19,004
Solid Waste/Recycling	195,390
Wicomico	<u>109,902</u>
Total Depreciation - Business-Type Activities	\$ <u>324,296</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

3. CAPITAL ASSETS (continued)

Component units

St. Mary's County Public Schools

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance, June 30, 2018	Additions	Deletions/ Transfers	Balance, June 30, 2019
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,742,759	\$ -	\$ -	\$ 3,742,759
Construction in progress	26,465,856	2,700,154	(1,731,650)	27,434,360
	<u>30,208,615</u>	<u>2,700,154</u>	<u>(1,731,650)</u>	<u>31,177,119</u>
Capital assets, being depreciated				
Building and improvements	373,560,694	804,087	1,731,650	376,096,431
Furniture and equipment	9,262,863	874,269	(724,101)	9,413,031
Equipment leased under financing agreements	6,676,139	-	-	6,676,139
Total capital assets, being depreciated	<u>389,499,696</u>	<u>1,678,356</u>	<u>1,007,549</u>	<u>392,185,601</u>
Less: accumulated depreciation	<u>(168,004,045)</u>	<u>(8,626,174)</u>	<u>652,594</u>	<u>(175,977,625)</u>
Net capital assets being depreciated	<u>221,495,651</u>	<u>(6,947,818)</u>	<u>1,660,143</u>	<u>216,207,976</u>
Governmental activities, capital assets, net	<u>\$ 251,704,266</u>	<u>\$ (4,247,664)</u>	<u>\$ (71,507)</u>	<u>\$ 247,385,095</u>
Business-type activities				
Capital assets, being depreciated				
Furniture and equipment	1,933,177	8,898	(35,178)	1,906,897
Less: accumulated depreciation	<u>(1,407,992)</u>	<u>(83,481)</u>	<u>35,178</u>	<u>(1,456,295)</u>
Business-type activities capital assets, net	<u>\$ 525,185</u>	<u>\$ (74,583)</u>	<u>\$ -</u>	<u>\$ 450,602</u>

Depreciation expense was charged in the Statement of Activities as follows:

Governmental activities	
Administration	\$ 25,536
Mid-level administration	31,945
Other instructional costs	113,914
Special education	6,391
Student personnel services	682
Student transportation services	139,198
Operation of plant	8,280,752
Maintenance of plant	<u>27,756</u>
Total governmental activities	<u>\$ 8,626,174</u>
Business-type activities	
Food service	<u>\$ 83,481</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements
June 30, 2019

3. CAPITAL ASSETS (continued)

Component units

St. Mary's County Library

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets:				
Furnishings and equipment	\$ 1,019,665	\$ 56,141	\$ 2,440	\$ 1,073,366
Leasehold improvements	87,735	-	-	87,735
Vehicles	34,944	-	-	34,944
Books	4,295,042	-	-	4,295,042
	<u>5,437,386</u>	<u>56,141</u>	<u>2,440</u>	<u>5,491,087</u>
Accumulated depreciation				
Furnishings and equipment	957,352	34,731	2,440	989,643
Leasehold improvements	14,039	1,754	-	15,793
Vehicles	34,486	3,808	-	38,294
Books	3,069,942	408,952	-	3,478,894
	<u>4,075,819</u>	<u>449,245</u>	<u>2,440</u>	<u>4,522,624</u>
Net Capital assets	<u>\$ 1,361,567</u>	<u>\$ (393,104)</u>	<u>\$ -</u>	<u>\$ 968,463</u>

Governmental activities depreciation expense of \$449,245 was charged to Library services.

St. Mary's County Metropolitan Commission

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets:				
Utility plants	\$ 147,207,075	\$ 3,964,028	\$ 25,037	\$ 151,146,066
Water plant systems	52,310,458	13,969,601	28,904	66,251,155
Equipment	8,925,995	485,096	349,262	9,061,829
Capitalized interest	818,201	-	-	818,201
Buildings	3,938,072	7,931	-	3,946,003
	<u>213,199,801</u>	<u>18,426,656</u>	<u>403,203</u>	<u>231,223,254</u>
Not being depreciated:				
Utility plant construction in process	2,562,586	5,003,939	2,175,837	5,390,688
Water plant construction in process	10,725,961	5,392,751	14,154,124	1,964,588
Land/land rights	1,311,103	626,000	-	1,937,103
	<u>227,799,451</u>	<u>29,449,346</u>	<u>16,733,164</u>	<u>240,515,633</u>
Accumulated depreciation				
Utility plants	46,185,506	3,654,311	25,037	49,814,780
Water plant systems	14,364,443	1,991,143	28,904	16,326,682
Equipment	6,729,779	716,438	349,262	7,096,955
Capitalized interest	384,554	16,364	-	400,918
Buildings	1,970,335	160,231	-	2,130,566
	<u>69,634,617</u>	<u>6,538,487</u>	<u>403,203</u>	<u>75,769,901</u>
Net Capital assets	<u>\$ 158,164,834</u>	<u>\$ 22,910,859</u>	<u>\$ 16,329,961</u>	<u>\$ 164,745,732</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

4. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied each July 1, and the taxpayer has the option to pay in full without interest by September 30 or elect a semiannual payment option. If a semiannual payment option is elected, the first payment is payable without interest by September 30 and the second payment, including a service charge, is payable without interest by December 31. Interest is charged for each month or fraction thereof the taxes remain unpaid beginning October 1 on accounts under the annual payment option or January 1 for accounts under the semiannual payment option. Maryland law grants the Treasurer of St. Mary's County the power to immediately advertise and sell any real property after the taxes are delinquent for a period of one year. Property taxes are levied at rates enacted by the Commissioners in the annual budget applied to the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation, an agency of the government of the State of Maryland. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice, and then only after public hearings. The real property tax rate during the year ended June 30, 2019, was \$0.8478 per \$100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2019 was \$0.8443. The personal property tax rate during the year ended June 30, 2019 was \$2.1195 per \$100 of assessed value. The County Treasurer bills and collects all property taxes.

A 100% allowance for uncollectible receivables is established for prior year taxes receivable. County property tax receivable as of June 30, 2019, net of the allowance for uncollectible receivables of \$705,755, is \$1,901,603 (this amount does not include state and emergency services taxes receivable). On October 1, a 3% penalty is assessed, and interest begins accruing at a rate of 1% for each month that real and personal property taxes are delinquent (unless taxpayer has elected semiannual payment option as described above).

5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE

Primary Government

The special assessment receivable is composed of various special assessments levied by the County for completed projects funded by the County. The cost of the completed projects is billed to taxpayers over periods from 10 to 25 years and reported as a special assessment receivable and unearned revenue. In accordance with the modified accrual method of accounting, in subsequent periods, when revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for the unearned revenue is removed from the balance sheet and revenue is recognized. The non-current portion of the receivable is offset by a fund balance reserve account, which indicates that this does not constitute available resources since this is not a component of fund balance. The current portion of the special assessment receivable is considered available spendable resources.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE (continued)

Primary Government (continued)

As of June 30, 2019, the amount of delinquent special assessment receivables due from taxpayers was \$328.

Component Units

St. Mary's County Public Schools

Unearned revenue

General fund

Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses / expenditures incurred to date under those programs as of June 30, 2019, of \$4,858,187.

Capital projects fund

Unearned revenue consists of prefunding in the amount of \$3,002,442 for construction projects at Spring Ridge Middle School and funds received for a removal security deposit to be used either towards the purchase of, or removal of an installed solar generating facility upon the expiration of a solar power purchase agreement in the amount of \$81,837.

Enterprise fund

Unearned revenue of \$188,528 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2020.

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

6. LONG-TERM OBLIGATIONS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
General obligation bonds- County	\$71,172,000	\$30,000,000	\$ 8,748,000	\$ 92,424,000	\$ 9,940,000
Water quality loans	221,516	-	221,516	-	-
State loans	1,350,894	-	123,440	1,227,454	123,440
Exempt financing	5,291,220	-	1,818,119	3,473,101	1,534,883
	<u>78,035,630</u>	<u>30,000,000</u>	<u>10,911,075</u>	<u>97,124,555</u>	<u>11,598,323</u>
Landfill post-closure costs	3,846,000	-	191,000	3,655,000	-
Compensated absences	5,273,624	222,007	-	5,495,631	75,004
Total	<u>\$87,155,254</u>	<u>\$30,222,007</u>	<u>\$11,102,075</u>	<u>\$ 106,275,186</u>	<u>\$11,673,327</u>
<i>Business-type activities</i>					
Exempt financing	\$ 376,750	\$ -	\$ 170,684	\$ 206,066	\$ 107,622
Compensated absences	132,037	2,639	3,496	131,180	-
Total	<u>\$ 508,787</u>	<u>\$ 2,639</u>	<u>\$ 174,180</u>	<u>\$ 337,246</u>	<u>\$ 107,622</u>

For governmental activities, compensated absences are generally liquidated by the governmental fund to which the liability relates. For all other governmental activity debt, the general fund typically liquidates the liability.

General Obligation Bonds

The County issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary funds if they are expected to be repaid from proprietary revenue. In addition, General Obligation Bonds have been issued to refund both General Obligation and Revenue Bonds. General Obligation Bonds are direct obligations of the County and pledge the full faith and credit of the government.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

General Obligation Bonds (continued)

On November 17, 2009, the County issued General Obligation Bonds of \$13,055,000 Series A Tax-Exempt Bonds, \$16,945,000 Series B Build America Bonds, and a \$15,645,000 Series C Refunding Bond. The Bonds will mature on July 15, in 20 annual serial installments, beginning in the year 2010 and ending in the year 2030. Interest on the Bonds is payable semiannually on each January 15 and July 15 to maturity with an average interest rate of 3.09%.

The Series B, Build America Bonds, are taxable with a bi-annual credit of 35% of the interest from the Internal Revenue Service.

The Series C Refunding Bond of \$15,645,000 is an advanced refunding on the 2001 General Obligation Bond, on principal payments of \$15,085,000. The last payment for the un-refunded portion of the 2001 General Obligation Bond was in 2012.

On November 8, 2011, the 2002 Refunding Bonds and the 2003 Public Facilities and Refunding Bonds were refunded in the 2011 General Obligation Refunding Bonds for \$34,357,000. The 2002 Refunding Bonds will mature on October 1, in 8 installments, beginning in 2013 and ending in 2019. The 2003 Refunding Bonds will mature on November 1, in 12 installments, beginning in 2013 and ending in 2023. Both the 2002 and 2003 Refunding Bonds carry interest rates ranging from 2.25-2.41%.

On April 10, 2014, the 2005 General Obligation Bonds were refunded with an advance refunding for \$9,934,000. The 2014 Direct Bank Loan Refunding will mature on March 1, in 10 installments, beginning in 2016 and ending in 2025. The Refunding Bonds carry an interest rate of 2.32%. The County refunded these bonds to reduce its total debt service payments and to obtain an economic gain of \$626,595.

On July 26, 2016, the County issued General Obligation Bonds of \$25,000,000 Consolidated Public Improvement Bonds. The Consolidated Public Improvement Bonds will mature on August 1, in 20 annual serial installments, beginning in the year 2017 and ending with the year 2036. Interest on the Bonds is payable semiannually on each February 1 and August 1 to maturity with an average interest rate of 2.25%.

On October 24, 2017, the 2009 Series B, Build America Bonds were refunded in the 2017 General Obligation Bonds, Series 2017 for \$15,475,000. The 2017 General Obligation Bonds will mature on July 15, in 10 installments, beginning in 2020 and ending in 2029. **6.**

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

General Obligation Bonds (continued)

Interest on the Bonds is payable semiannually on each January 15 and July 15 to maturity with an average interest rate of 1.89%.

On September 18, 2018, the County issued General Obligation Bonds of \$30,000,000. The Consolidated Public Improvement Bonds will mature on September 15, in 20 installments, beginning in the year 2019 and ending in 2038. Interest on the Bonds is payable semiannually on each March 15 and September 15 to maturity with a true interest rate of 3.17%.

2016 Exempt Financing Equipment Lease

On October 29, 2016, Commissioners of St. Mary's County entered into an agreement with Banc of America Public Capital Corp. to borrow \$3,200,000 for the purchase of vehicles. The lease bears interest at a rate of 1.37% per annum, payable annually through 2020. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2016 exempt financing equipment lease for the year ended June 30, 2020 was principal payments of \$593,116 with interest of \$8,148 for a total payment of \$601,264.

2018 Exempt Financing Equipment Lease

On October 27, 2017, Commissioners of St. Mary's County entered into an agreement with TD Equipment Finance, Inc. to borrow \$4,200,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 1.78% per annum, payable annually through 2022. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2018 exempt financing equipment lease as of June 30, 2019, based on the total final lease amount of \$3,200,000 are as follows:

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

2018 Exempt Financing Equipment Lease (continued)

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 784,064	\$ 42,633	\$ 826,697
2021	798,025	28,672	826,697
2022	812,089	14,462	826,551
	<u>\$ 2,394,178</u>	<u>\$ 85,767</u>	<u>\$ 2,479,945</u>

2018 Exempt Financing Equipment Lease –Taxable

On October 27, 2017, Commissioners of St. Mary's County entered into an agreement with TD Equipment Finance, Inc. to borrow \$800,000 for the purchase for Fire and Rescue agencies. The taxable lease bears interest at a rate of 2.66% per annum, payable annually through 2022. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. The annual requirements to amortize the 2018 exempt financing taxable equipment lease as of June 30, 2019, based on the total final lease amount of \$800,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 157,703	\$ 12,922	\$ 170,625
2021	161,898	8,728	170,626
2022	166,205	4,421	170,626
	<u>\$ 485,806</u>	<u>\$ 26,071</u>	<u>\$ 511,877</u>

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

2018 Exempt Financing Equipment Lease (continued)

Long-term obligations at June 30, 2019 consist of the following:

Description	Due	Rate	Amount
MD Water quality loans and other state loans:			
Holly Point Shores	2008-2032	None	\$ 130,370
Murray Road Revetment	2004-2028	None	32,688
Piney Point Lighthouse	2009-2026	None	235,459
Villas on Waters Edge	2009-2032	None	283,348
Kingston Creek II	2010-2037	None	189,783
North Patuxent Beach Road	2009-2025	None	169,818
Thomas Road	2016-2030	None	106,560
Gibson Road	2017-2031	None	79,428
Total state loans			<u>1,227,454</u>
General obligation bonds			
2009 Refunding Bonds, Series A	2010-2020	2.5-4.0%	1,430,000
2009 Refunding Bonds, Series C	2010-2022	2-5%	5,370,000
2011 Refunding Bonds	2012-2024	2.25-2.41%	10,339,000
2014 Refunding Bonds	2016-2025	2.32%	6,510,000
2016 Consolidated Public Improvement Bonds	2017-2037	2.25%	23,300,000
2017 Refunding	2020-2029	1.89%	15,475,000
2018 Consolidated Public Improvement Bonds	2019-2038	3.17%	30,000,000
Total general obligation bonds			<u>92,424,000</u>
Long term obligations as of June 30, 2019 consist of the following			
Total state loans and bonds			93,651,454
Accrued landfill closure and post closure costs			3,655,000
Exempt financing			3,473,101
Accumulated unpaid annual leave			5,495,631
Total			<u>\$ 106,275,186</u>

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Business-Type Activities

2016 Exempt Financing Equipment Lease

The annual requirements to amortize the business-type activities portion of the 2016 exempt financing equipment lease for the year ended June 30, 2020 are principal payments of \$59,663 and interest payments of \$820 for total payments of \$60,483.

2018 Exempt Financing Equipment Lease

The annual requirements to amortize the business-type activities portion of the 2018 exempt financing equipment lease as of June 30, 2019, based on the total final lease amount of \$3,200,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 47,958	\$ 2,555	\$ 50,513
2021	48,795	1,718	50,513
2022	49,647	866	50,513
	<u>\$ 146,400</u>	<u>\$ 5,139</u>	<u>\$ 151,539</u>

Special Assessment Debt

Special assessment fund debt payable as of June 30, 2019 is composed of the following loans payable to the Maryland Department of Natural Resources:

Holly Point Shore Erosion Control, originally payable in twenty-five annual installments of \$10,029 without interest, guaranteed by the full faith and credit of the County.	\$130,369
Villas on Waters Edge Shore Erosion, payable in twenty annual installments of \$21,796, without interest, guaranteed by the full faith and credit of the County	283,348
Kingston Creek Waterway #2, payable in twenty-five annual installments of \$10,544, without interest, guaranteed by the full faith and credit of the County	<u>189,783</u>
	<u>\$603,500</u>

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

St. Mary's County Government has agreed that the above amounts borrowed shall be reimbursed and that these obligations shall be supported by the full faith and credit of the County.

The annual requirements to amortize all debt outstanding as of June 30, 2019 including interest of \$25,265,900 except for the accrued landfill closure and post-closure costs, accumulated unpaid leave benefits, and exempt financing, are as follows:

For the year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 10,063,440	\$ 3,077,441	\$ 13,140,881
2021	7,776,440	2,818,438	10,594,878
2022	8,030,440	2,575,078	10,605,518
2023	6,375,440	2,332,439	8,707,879
2024	6,584,440	2,104,051	8,688,491
2025-2029	22,255,445	7,620,165	29,875,610
2030-2034	17,529,193	3,644,004	21,173,197
2035-2039	15,036,616	1,094,284	16,130,900
Total	<u>\$ 93,651,454</u>	<u>\$ 25,265,900</u>	<u>\$ 118,917,354</u>

A summary of the totals above by debt type is as follows:

	General Obligation	State Loans	Special	Total
	Bonds		Assessment	
Principal	<u>\$ 92,424,000</u>	<u>\$ 623,953</u>	<u>\$ 603,501</u>	<u>\$ 93,651,454</u>
Interest	<u>25,265,900</u>	<u>-</u>	<u>-</u>	<u>25,265,900</u>
	<u>\$ 117,689,900</u>	<u>\$ 623,953</u>	<u>\$ 603,501</u>	<u>\$ 118,917,354</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements
June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Component Units

St. Mary's County Public Schools

Long-term debt at June 30, 2019, consists of equipment financing obligations, accumulated compensated absences payable, net OPEB obligation, and net pension liability. The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Equipment financing agreements	\$ 1,544,054	\$ -	\$ 350,216	\$ 1,193,838	\$ 385,676
Compensated absences	4,882,745	372,652	391,626	4,863,771	542,946
Net OPEB liability	323,008,887	25,686,557	-	348,695,444	-
Net pension liability	11,668,499	1,251,567	-	12,920,066	-
	<u>\$ 341,104,185</u>	<u>\$ 27,310,776</u>	<u>\$ 741,842</u>	<u>\$ 367,673,119</u>	<u>\$ 928,622</u>
<i>Business-type activities</i>					
Compensated absences	<u>\$ 204,875</u>	<u>\$ -</u>	<u>\$ 18,533</u>	<u>\$ 186,342</u>	<u>\$ 13,242</u>

The compensated absences liability attributable to the governmental activities will be liquidated solely by the General Fund.

The School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of \$28,768 at interest rates ranging from 1.99% to 4.00%, expiring through 2023. All items purchased under the lease-purchase agreements are pledged as collateral under the agreements. Principal and interest payments for lease-purchase agreements are recorded as expenditures of the General Fund when due. Principal payments are reported as reductions of long-term obligations in the government-wide financial statements.

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

6. LONG-TERM OBLIGATIONS (continued)

Component Units

St. Mary's County Public Schools

The future minimum lease payments and the new present value of the minimum lease payments as of June 30, 2019, under these equipment financing agreements are as follows:

<u>Years ending June 30,</u>	
2020	\$ 385,676
2021	299,297
2022	299,297
2023	299,297
	<u>1,283,567</u>
Less amount representing interest	<u>(89,729)</u>
Present value of minimum lease payments	<u>\$1,193,838</u>

St. Mary's County Library

Long-term debt consists of accrued compensated absences. The following is a summary of the changes in long-term debt for the year ended June 30, 2019:

<u>Balance June 30, 2018</u>	<u>Increase</u>	<u>Balance June 30, 2019</u>	<u>Amount due within one year</u>
\$ 108,901	\$ 6,782	\$ 115,683	\$ -

St. Mary's County Metropolitan Commission

Long-term bonds payable as of June 30, 2019 are as follows:

<u>Bond Payable Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
Twenty-seventh issue	2011-2030	0.75 - 4.31%	\$ 7,889,300	\$ 2,114,397
Thirtieth issue	2012-2029	2.96 - 3.4%	895,953	178,744
Thirty-first issue	2013-2032	0.61 - 3.42%	6,077,800	1,479,075
Thirty-sixth issue	2014-2033	4.31%	12,190,000	4,749,952
Thirty-eighth issue	2015-2034	3.51%	17,635,000	5,803,920
Thirty-ninth issue	2015-2021	1.31%	154,000	2,712
Fortieth issue	2015-2027	2.08%	5,314,000	509,933
			<u>50,156,053</u>	<u>14,838,732</u>
Less current portion			<u>3,410,908</u>	<u>1,787,235</u>
			<u>\$ 46,745,145</u>	<u>\$ 13,051,497</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2019 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020 (current)	\$ 3,410,908	\$ 1,787,235
2021	3,446,339	1,703,121
2022	3,483,393	1,612,303
2023	3,585,471	1,512,513
2024	3,687,125	1,406,902
2025-2029	18,880,817	5,193,461
2030-2034	13,662,000	1,623,197
Total	<u>\$ 50,156,053</u>	<u>\$ 14,838,732</u>

Twenty-third issue

On November 14, 2007, the Commission issued \$10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017, MetCom had drawn only \$10,101,170 of the proceeds.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5% to 4.25%. Interest was payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

On August 6, 2015 MetCom refinanced \$5,914,800 of this debt with TD bank.

Twenty-seventh issue

On August 25, 2010, the Commission issued \$12,613,963 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2018, the unspent proceeds were 1,133,375.

The bonds mature on May 1, in 20 annual installments, beginning in 2011 and ending in 2030. Interest rates on the bonds range from .75%-4.31%. Interest was payable on November 1, 2010 and semiannually thereafter on each November 1 and May 1 to

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Twenty-seventh issue (continued)

maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2020. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

Thirtieth issue

On March 15, 2012, MetCom issued refunding bonds in the principal amount of \$1,448,492. The bonds mature on May 1, in 18 annual installments, beginning in 2012 and ending in 2029. Interest was payable May 1, 2012 and semiannually thereafter on each May 1 and November 1 until maturity.

The bonds may be prepaid at the following premiums:

<u>Period</u>	<u>Price</u>
May 1, 2020 through April 30, 2021	102%
May 1, 2021 through April 30, 2022	101%
On or after May 1, 2022	100%

The bonds were issued to refund all the outstanding maturities of Financing Bond Issue number fourteen, issued in conjunction with the Maryland Community Development Administration (CDA). These bonds were issued with an interest rate of 2.96% that may be increased up to 3.4% in the event of a decrease in the marginal maximum corporate income tax rate. The refunded bonds had a true interest cost ranging from 4.5% to 5.0%. These bonds were issued to take advantage of a favorable interest rate environment.

MetCom refunded these bonds to reduce its total debt service payments by \$249,357 and to obtain an economic gain of \$197,055.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Thirty-first issue

On December 19, 2012, the Commission issued \$8,719,514 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2019, the unspent proceeds were \$462,359.

The bonds mature on May 1, in 20 annual installments, beginning in 2013 and ending in 2032. Interest rates on the bonds range from .61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2022. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

Thirty-sixth issue

On October 2, 2013, the Commission issued \$15,948,168 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2019, the unspent proceeds were \$7,669,082.

The bonds mature on May 1, in 20 annual installments, beginning in 2014 and ending in 2033. The average interest yield on these bonds is 4.31%. Interest was payable on May 1, 2014 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2023. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

Thirty-eighth issue

On August 28, 2014, the Commission issued \$22,075,230 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2019, the unspent proceeds were \$11,882,908.

The bonds mature on May 1, in 20 annual installments, beginning in 2015 and ending in 2034. The average interest yield on these bonds is 3.51%. Interest was payable on May 1, 2015 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2024. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Thirty-ninth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015A in the principal amount of \$2,157,000. These bonds were issued with a true interest cost of 1.31% to refund certain maturities of MetCom's Refunding Bonds of 2003, the Seventeenth Issue, with a coupon rate ranging from 2.75% to 4.4% and certain maturities of MetCom's 2006 Series A Bonds, the Twenty-first Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.65% to 4.275% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of \$449,973 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. Funds in the amount of \$1,680,395 were used to complete the defeasance of MetCom's Refunding Bonds of 2003. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by \$87,229 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$102,135.

Fortieth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015B in the principal amount of \$5,619,000. These bonds were issued with a true interest cost of 2.08% to refund certain maturities of MetCom's 2007 Series B Bonds, the Twenty-third Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.5% to 4.25% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of \$6,310,569 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by \$537,674 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$431,337.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements
June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission

Notes, leases, and loans payable

Notes, leases and loans payable as of June 30, 2019 are as follows:

<u>Bond Payable Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Undrawn</u>
MD Water Quality Loan #15	2020	0.027	\$ 53,145	\$ 2,463	\$ -
MD Water Quality Loan #16	2023	0.012	78,552	6,379	-
MD Water Quality Loan #18	2025	0.011	1,523,404	134,370	-
MD Water Quality Loan #19	2024	1.10%	276,735	23,115	-
MD Water Quality Loan #20	2024	1.10%	164,205	11,891	-
MD Water Quality Loan #22	2027	1.10%	439,334	43,170	-
MD Water Quality Loan #25	2029	1.00%	104,675	11,385	-
MD Water Quality Loan #26	2030	1.00%	334,688	38,072	-
MD Water Quality Loan #28	2030	2.20%	279,063	54,792	-
MD Water Quality Loan #32	2034	1.80%	3,885,929	774,275	-
MD Water Quality Loan #33	2033	1.70%	301,455	55,832	-
MD Water Quality Loan #34	2035	2.10%	17,536,330	4,321,497	-
MD Water Quality Loan #35	2035	2.10%	4,384,082	1,819,948	-
MD Water Quality Loan #37	2034	2.00%	1,951,064	404,673	-
Leonardtown #41	2037	1.80%	1,561,008	368,894	-
MD Water Quality Loan #42	2038	1.50%	3,034,361	573,096	334,113
MD Water Quality Loan #43	2038	1.50%	2,166,982	396,519	324,786
MD Water Quality Loan #44	2039	1.60%	2,318,277	805,500	2,974,227
MD Water Quality Loan #45	2039	1.70%	146,454	277,620	1,915,973
MD Water Quality Loan #46	2039	1.70%	767,240	201,020	776,588
MD Water Quality Loan #47	2049	1.70%	834,581	204,340	715,679
			<u>42,141,561</u>	<u>10,528,850</u>	<u>\$ 7,041,366</u>
Less current portion			<u>2,673,203</u>	<u>1,053,746</u>	
			<u>\$ 39,468,358</u>	<u>\$ 9,475,104</u>	

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Notes, leases, and loans payable (continued)

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2019, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020 (current)	\$ 2,673,203	\$ 1,053,746	\$ 3,726,948
2021	2,636,959	935,447	3,572,406
2022	2,585,546	887,214	3,472,760
2023	2,618,599	838,302	3,456,901
2024	2,662,613	798,288	3,460,901
2025-2029	12,395,767	3,254,423	15,650,190
2030-2034	12,543,463	2,092,490	14,635,952
2035-2039	3,747,218	600,828	4,348,045
2040-2044	139,097	34,057	173,154
2045-2049	139,097	34,057	173,154
Total	<u>\$ 42,141,561</u>	<u>\$ 10,528,850</u>	<u>\$ 52,670,411</u>

As of June 30, 2019, MetCom has twenty loans from the Maryland Water Quality Financing Administration. Proceeds from loan number eleven of \$4,177,116 were used to finance the Marley-Taylor WRF Wastewater Treatment Plant Upgrade and Expansion Project. Loan number fifteen for \$835,000 was drawn during the year ended June 30, 2000 for the purpose of financing an office building for the administrative use of MetCom. Loan number sixteen for \$567,680 was used to upgrade the Leonardtown wastewater treatment plant. Loan number eighteen for \$4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for \$976,700 was used to replace the Lexington Park Wastewater Pumping Station. Loan number twenty for \$1,466,576 was for water meter installations. Loan number twenty-two for \$1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells. Loan number twenty-five for \$191,593 was used for the Hollywood Water Extension to provide arsenic remediation. Loan number twenty-six for \$582,547 was used for Patuxent Park Sewer Line Repair and the Marlay-Taylor Methane Powered CoGeneration Project. Loan number twenty-eight for \$443,927 was used for the St. Clements Shore Well. Loan number thirty-two in the amount of \$4,874,202 is for the Radio Read Meter Project. As of June 30, 2019, MetCom had drawn \$4,421,361 of the proceeds. Loan number thirty-three in the amount of \$394,000 is for the Shangri La Drive/South Essex Drive Sewer Rehabilitation. Loan number thirty-four in the

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Notes, leases, and loans payable (continued)

amount of \$21,082,400 is for the Marlay-Taylor Wastewater Reclamation Facility Enhanced Nutrient Removal, ENR, project. Loan number thirty-five in the amount of \$5,270,600 is also for Marlay-Taylor Wastewater Reclamation Facility ENR project. This loan will be paid for by Navy charges and is therefore taxable. As of June 30, 2019, MetCom has drawn \$26,200,310 of the proceeds on loans thirty-four and thirty-five. Loan number thirty-seven in the amount of \$2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation.

Loan number twenty-nine is with SunTrust Bank in the amount of \$270,682 at an interest rate of 2.03%. Payments are made monthly on this loan from December 2011 through November 2016. The proceeds of this loan were used to purchase a Vactor truck. Loan number forty-one in the amount of \$1,705,500 is for MetCom's share of Leonardtown's MDE loan for the ENR project.

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2019 were as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 54,124,258	\$ -	\$ 3,968,205	\$ 50,156,053	\$ 3,410,908
Notes, leases, and loans payable	37,897,202	6,684,477	2,440,117	42,141,562	2,673,203
Total long-term debt	<u>\$ 92,021,460</u>	<u>\$ 6,684,477</u>	<u>\$ 6,408,322</u>	<u>\$ 92,297,615</u>	<u>\$ 6,084,111</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

7. FUND BALANCES

A summary of the nonspendable, restricted, committed, assigned and unassigned fund balances as of June 30, 2019 are as follows:

	General Fund	Special Revenue Funds		Debt Service Fund	Capital Projects Fund
		Fire & Rescue Revolving	Emergency Support	Special Assessments	
Nonspendable					
Inventory	\$ 1,325,694	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	94,854				
Interfund advance (Wicomico)	671,167	-	-	-	-
Total nonspendable	2,091,715	-	-	-	-
Restricted					
Domestic Violence Programs	2,040	-	-	-	-
County matching funds for approved grants	287,154	-	-	-	-
Funding sources specified for capital projects					
Land preservation	-	-	-	-	1,999,082
Various capital projects - transfer tax	-	-	-	-	14,972,453
County pay-go	-	-	-	-	2,529,551
Roads- impact fees	-	-	-	-	528,119
Roads- mitigation	-	-	-	-	96,517
Parks- impact fees	-	-	-	-	468,354
Parks- mitigation	-	-	-	-	753
Schools-impact fees	-	-	-	-	7,167,716
Schools-mitigation	-	-	-	-	34,125
Total restricted	289,194	-	-	-	27,796,670
Committed					
Bond rating reserve	14,293,924	-	-	-	-
Rainy day fund	1,625,000	-	-	-	-
Operating Budget, non-recurring items	14,881,410				
Other, net, including grants	-	399,078	888,883	459,108	-
Total committed	30,800,334	399,078	888,883	459,108	-
Assigned	2,118,088	-	-	-	-
Unassigned	30,346,299	-	-	-	(2,364,571)
Total fund balances	\$ 65,645,630	\$ 399,078	\$ 888,883	\$ 459,108	\$ 25,432,099

St. Mary's County spends funds in the following order: committed, then assigned, then unassigned.

The Board of County Commissioners (Board) is the highest level of decision-making authority, and committed funds are established by resolution, legislation, ordinance, and/or contractual action through the budget process. Those committed amounts cannot be used for any other purpose without Board action.

The authority for assigning fund balance is delegated to the Finance Department by the Board to carry out their approved plan.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

7. FUND BALANCES (continued)

The non-spendable fund balance includes:

Inventory - The amount of inventory at June 30, 2019, carried as an asset.

The restricted fund balance includes:

- Domestic violence programs - The amount of marriage license fees committed for domestic violence programs, by resolution.
- County matching funds for approved grants – The amount of county funding that is committed as a match to grants that were budgeted in FY2019, but for which the period extends beyond June 30, 2019. These funds will be needed to meet the obligations of the grant.
- Revenues appropriated for capital projects - The amount of revenue collected to date, which has been obligated through the budget process for specific capital projects and will be used for future capital project expenses.

The committed fund balance includes:

- Bond Rating Reserve – set by ordinance, at a minimum of 6% of the next year's revenues
- Bond Rainy Day Fund – established by the Commissioners for unanticipated events.

The debt service fund assigned fund balance includes:

- Retirement of long-term obligations - The amount of future revenue (collections) of Special Assessments that is legally restricted to expenditures for specified purposes. This future revenue will be used for the retirement of long-term obligations.

The general fund assigned fund balance is composed of:

Encumbrances	\$ 901,310
Miscellaneous revolving fund	<u>1,216,778</u>
	<u>\$2,118,088</u>

When unassigned fund balance is used, it is used for one-time, non-recurring expenses. In May 2019, as part of the approval of the fiscal year 2020 budget, the Board approved to use fiscal year 2018 unassigned fund balance for operating non-recurring \$1,891,983 and CIP Pay-Go of \$12,989,427. \$21,620,262 remains unused of the fiscal year 2018 unassigned fund balance; to help avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address such changes, revenue shortfalls, or cost shifts. And, given the still uncertain economy and the federal budget situation and its impact on the

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

7. FUND BALANCES (continued)

County's largest employment sector, it can help the County to weather negative revenue results for a limited period.

Each subsequent budget will include evaluation of the fund balance levels and assumptions upon which the plan was developed to determine whether it needs to be revised.

8. RETIREMENT PLANS

Maryland State Retirement and Pension System

Summary of Significant Accounting Policies

Pensions. Virtually all employees of the County (other than those covered by the Sheriff's Office Retirement Plan) are members of the Maryland State Retirement and Pension System (the System). The System is considered a single multiple employer cost sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description. Certain employees of the County are provided with pensions through the System—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the MSRPS Board of Trustees.

MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits Provided. A member of the System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

Early Service Retirement. A member of the System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the System member is 30%.

Disability and Death Benefits. Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's average final compensation (AFC). A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay. The County's contractually required contribution rate for the System for the year ended June 30, 2019, was approximately \$2.2 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the System from the County were approximately \$2.2 million for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the County reported a liability of approximately \$21.8 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the System's net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2019, the County's proportion for the System was 0.1 percent, which was substantially the same as its proportion measured as of June 30, 2018.

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

For the year ended June 30, 2019, the County recognized pension expense for the System of approximately \$2.3 million. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Contributions subsequent to year end	\$ 2,180,433	\$ -
Changes in assumptions	484,472	-
Difference between projected and actual investment earnings	803,723	-
Difference between actual and expected experience	-	1,595,424
Total	<u>\$ 3,468,628</u>	<u>\$ 1,595,424</u>

\$2.2 million reported as deferred outflows of resources related to the System resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the System will be recognized in pension expense as follows:

<u>Year End June 30,</u>	<u>Amount</u>
2020	\$ 555,115
2021	(84,566)
2022	(611,857)
2023	(165,921)
Total	<u>\$ (307,229)</u>

Information included in the MSRPS financial statements. Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The County's proportionate share of the System net pension liability calculated using the discount rate of 7.45 percent is \$21,827,060. Additionally, the County's proportionate share of the System net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.45 percent) is \$31,438,447, or 1-percentage-point higher (8.45 percent) is \$13,850,288.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

8. RETIREMENT PLANS (continued)

Sheriff's office retirement plan

The membership data related to the St. Mary's County Sheriff's Office Retirement Plan at July 1, 2018 was as follows:

Retirees and beneficiaries currently receiving benefits	113
Terminated plan members entitled to but not yet receiving benefits	51
Active plan members	203

Credited service

Credited service for participants hired prior to July 1, 1986, is equal to the sum of:

- a. Service subsequent to June 30, 1986, while a participant of the plan.
- b. Military service, not in excess of five years.
- c. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Retirement System.
- d. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Pension System and/or Maryland Employees' Retirement System which the employee elects to buy back by paying into the plan an amount equal to employee contributions for such service, accumulated with interest. Such service is reduced by 25% for the purpose of calculating benefits if participants elect not to buy back such service.
- e. Service not with the Sheriff's Department, but while participating in the Maryland Systems stated above. Such service shall count only in eligibility and not in the benefit determination.

Credited service for participants hired subsequent to June 30, 1986, is equal to:

- a. Service while a participant of the plan; plus
- b. Military service, not in excess of five years is on an incremental basis, with up to one year of service each time the participant completes four years of eligibility service, and
- c. Any approved leave of absence up to 12 months.

In addition, for purposes of calculating the amount of the plan benefit only for a participant eligible for early, normal or late retirement, credit shall be given for unused sick leave as follows: 22 days of unused sick leave shall equal 1 month of credited service.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

8. RETIREMENT PLANS (continued)

Sheriff's office retirement plan (continued)

Final average earnings

"Final Average Earnings" is the average compensation received during three consecutive years of service, out of the ten calendar years prior to termination, which produces the highest average.

Normal retirement

Eligibility - A participant's normal retirement date is the earliest of the 62nd birthday or the completion of 25 years of service.

The amount of the annual retirement income shall be equal to the lesser of: (1) 80% of the Participant's average compensation, plus the Participant's unused sick leave, or (2) the sum of:

- (i) 2.5% of the Participant's average compensation multiplied by the number of years (and fractional years) of credited service earned by, or credited to, the Participant on and after July 1, 2008, plus
- (ii) 2.0% multiplied by all years (and fractional years) of credited service earned by, or credited to, the Participant prior to July 1, 2008.

Early retirement

Eligibility - A participant who retires prior to becoming eligible for normal retirement but on or after completion of 20 years of credited service.

Amount - The amount of the early retirement pension is determined in the same manner as for normal retirement.

A participant may elect to have benefits commence on the Normal Retirement Date or any month following termination. Benefits are reduced 1/2% for each month the benefit commencement date precedes the normal retirement date.

Late retirement

Eligibility - A participant who continues to work past the normal retirement date is eligible for a postponed retirement benefit.

Amount - The amount of the postponed retirement benefit is determined in the same manner as the normal benefit, based on final average earnings and credited service at the

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Sheriff's office retirement plan (continued)

time of actual retirement subject to a maximum benefit of 80% of the Participant's average compensation.

Disability benefit

Eligibility - A participant with five years of service who is unable to perform the duties of the position by reason of physical or mental disability, which is expected to be total and permanent, is eligible for a disability benefit commencing in the month following disablement. The benefit will continue until death or recovery.

Amount - The annual benefit is equal to 1.6% of the participant's final average earnings for each year of credited service not in excess of 35 years. For line of duty disability, the annual benefit is equal to the greater of the benefit for ordinary disability or 66 2/3% of average compensation, if the disability qualifies as a catastrophic disability pursuant to the Plan. For a line of duty disability which is non-catastrophic, the annual benefit is equal to the greater of the benefit for ordinary disability or 50% of average compensation.

Pre-retirement death benefit

Lump sum benefit

Eligibility of employment - The participant's beneficiary will be entitled to a lump sum benefit if the participant dies prior to termination

Amount - 100% of the participant's annual compensation, plus employee contributions accumulated with interest.

Survivor's pension

Eligibility - The spouse or dependent child of a participant who dies prior to termination of employment but after completing 5 years of credited service may receive a monthly benefit commencing the first of the month following the participant's death. The benefit is payable until death or remarriage (if the beneficiary is the spouse) or as a temporary annuity (if the beneficiary is a child) payable until the child attains age 18 (23 if a full-time student).

Amount - The amount of such benefit will be 50% of the amount determined in the same manner as the disability benefit. The beneficiary may elect to receive the lump sum death benefit in lieu of the survivor's pension.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

8. RETIREMENT PLANS (continued)

Sheriff's office retirement plan (continued)

Deferred vested benefit

Eligibility - A participant who terminates employment and has completed five years of vesting service is eligible to receive a deferred vested benefit beginning at age 62.

Amount - The amount of the participant's deferred vested pension is determined in the same manner as the normal retirement pension based on final average earnings and credited service at the participant's termination of employment. If a terminated vested participant dies prior to commencement of benefits, no benefits other than those provided in the withdrawal benefit, described below, are payable from the plan.

Withdrawal benefit

A participant who terminates employment prior to becoming eligible to receive a benefit under one of the other provisions of the plan will be eligible to receive the return of this accumulated contribution including interest to the first of the month preceding his termination of employment. A vested participant who is not eligible for benefits commencing within one month of termination may elect to withdraw his contributions and credited interest. In this event, the participant forfeits the deferred vested benefit described above.

Form of benefit

Monthly pension benefits will commence on the first of the month coincident with or next following the retirement date of the participant and continue until the first of the month in which the retired participant dies, unless an optional method of payment has been elected. If the participant dies before receiving benefits equal to the value of his accumulated employee contributions, the remainder will be paid to his beneficiary.

Optional Benefit - A participant may elect to receive a reduced benefit in lieu of the benefits to which he would otherwise be entitled, in an amount of actuarially equivalent value, as follows:

- a. Joint and Survivor - a reduced pension during the lifetime of the pensioner, starting at his actual retirement date and continuing to the pensioner's spouse at an amount which may be the same as the reduced amount payable to the participant or one-half of the reduced amount paid to the participant.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Sheriff's office retirement plan (continued)

b. Other - A participant may elect a pension payable in accordance with any other option approved by the Board of Trustees (except an "interest only" option) which is the actuarial equivalent of the normal retirement pension to which the participant was entitled at normal retirement date.

The Commissioners assign the authority to establish and amend the benefit provisions of the plan.

Net pension liability of the county

The components of the net pension liability of the Sheriff's plan at June 30, 2017, were as follows:

Total pension liability	\$ 133,860,909
Plan fiduciary net position	91,281,174
County's net pension liability	<u>\$ 42,579,735</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>68.19%</u>

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Rates vary by participant service
Investment rate of return	7.25%, net of invest expense, including inflation
Mortality	RP-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2018 actuarial valuation report.

COMMISSIONERS OF ST. MARY’S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Sheriff’s office retirement plan (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the plan’s net position liability, calculated using a single discount rate of 7.25%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is one (1) percentage point lower or one (1) percentage point higher.

	<u>1% Decrease</u> 6.25%	<u>Current Discount</u> Rate 7.25%	<u>1% Increase</u> 8.25%
Sheriff’s Plan net pension liability	<u>\$ 62,793,220</u>	<u>\$ 42,579,735</u>	<u>\$ 26,314,535</u>

Asset allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>
Domestic equity	38.2%
International equity	20.5%
Fixed income	22.4%
Hedge funds	8.7%
Private equity	2.4%
Real assets	2.6%
Cash equivalents	<u>5.2%</u>
Total	<u>100%</u>

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

8. RETIREMENT PLANS (continued)

Sheriff's office retirement plan (continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

As of June 30, 2019, the Sheriff's office retirement plan reported a net pension liability of \$42,579,735. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2019.

For the year ended June 30, 2019, the Sheriff's office retirement plan recognized pension expense of \$8,417,473 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Changes in assumptions	\$ 5,524,882	\$ -
Net difference between projected and actual earnings on pension plan investments	2,609,507	-
Net difference between actual and expected experience	<u>-</u>	<u>6,396,697</u>
Total	<u>\$ 8,134,389</u>	<u>\$ 6,396,697</u>

The deferred outflows and deferred inflows will be amortized in the following fiscal years as follows:

Years ended June 30,

2020	\$ 1,580,697
2021	223,228
2022	270,759
2023	255,288
2024	(592,280)

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

8. RETIREMENT PLANS (continued)

Sheriff's office retirement plan (continued)

Discount rate

The current discount rate on the Sheriff's Office plan is 7.25%.

Recommended contribution level

Participants are required to make mandatory contributions to the plan equal to 8% of base earnings. Employee contributions are credited with interest at the rate of 4% per annum. The County pays the entire remaining cost of the plan.

The County is required to contribute at an actuarially determined rate, currently 39.70% of covered payroll. Contribution requirements of plan members and the county are established and may be amended by the Commissioners. The amount of the Sheriff's Department's current year covered payroll is \$14,216,000. The following employer contributions were made during the fiscal year ended June 30, 2019:

	<u>Contributions</u>	<u>% of Covered Payroll</u>
Actuarially determined	\$ 5,644,000	39.70%

Volunteer fire departments, rescue squads and advanced life support unit

Plan Description

A length of service program (LOSAP) for qualified active volunteer members of the St. Mary's County Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit was established effective July 1, 1980. An "active member" is defined as a person who accumulated a minimum of fifty (50) points per calendar year in accordance with a point system. This program is funded and administered by the Commissioners of St. Mary's County.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Eligibility and benefits

a. Any person who has served as a member of any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit is eligible to receive benefits provided that:

- 1) The person is certified in accordance with the point system to have served as an active volunteer subsequent to December 31, 1979.
- 2) Any person who discontinued active volunteer service prior to July 1, 1980, may receive credit for the service after being certified in accordance with the point system.

b. Beginning July 1, 1994, active volunteer fire and rescue squads and advanced life support unit personnel may select from two Length of Service program benefit options. Selection of a benefit option by the individual is irrevocable. The options, with rates reflected effective July 1, 2006, are:

- 1) Any person who has reached the age of sixty (60) and who has completed a minimum of twenty (20) years of certified active volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit, or combination thereof, shall receive two hundred dollars (\$200) per month, for life. Payments will begin in the month following eligibility.

An additional payment of eight dollars (\$8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

- 2) Any person who has reached the age of fifty-five (55) and who has completed a minimum of twenty (20) years of certified volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit or combination thereof, shall receive one hundred fifty dollars (\$150) per month for life.

An additional payment of eight dollars (\$8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

In the event that any active volunteer becomes disabled during the course of his or her service while actively engaged in providing such services and in the event that the disability prevents the volunteer from pursuing his or her normal occupation and in the event that the disability is of a permanent nature as certified by the Maryland Workmen's Compensation Commission or other competent medical authority as designated by the Commissioners of St. Mary's County, then the volunteer is entitled to receive the minimum benefits prescribed above and any such benefits as he or she may be entitled to regardless of his or her age or length of service.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

These benefits will begin on the first day of the month following the establishment of the permanency of his or her disability.

- c. In the event that any qualified volunteer shall die while receiving benefits, then his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's benefits. These benefits terminate upon death or remarriage of the spouse.
- d. In the event that a qualified volunteer dies prior to receiving any benefits under this section, his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's earned benefits. These benefits terminate upon death or remarriage of the spouse.
- e. In the event that an active volunteer dies in the line of duty, a burial benefit up to two thousand five hundred dollars (\$2,500) is payable.
- f. In the event that any active volunteer (herein defined as one who has at least two (2) years of qualifying service in the five (5) preceding years) attains the age of seventy (70) years and fails to achieve the required twenty (20) years of service, then the volunteer is entitled to a monthly benefit of the number of years of credited service completed, multiplied by eight dollars (\$8).

Point system

In order to qualify for benefits, points are credited to each volunteer as follows:

- 1) One (1) point is credited for each hour of attendance in a recognized training course, provided that not more than twenty (20) points may be credited for all training courses attended per year.
- 2) One (1) point is credited for each company or county drill that is a minimum of two (2) hours in duration attended in its entirety, provided that not more than twenty-five (25) points may be credited for all drills attended per year.
- 3) One (1) point is credited for each official company or county meeting pertaining to St. Mary's County fire services or rescue services attended, provided that not more than fifteen (15) points may be credited for all meetings attended per year.
- 4) One (1) point is credited for each call to which a volunteer responds, provided that not more than forty (40) points may be credited for all calls responded to per year.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

5) Twenty-five (25) points are credited for completion of a one-year term as an appointed or elected officer in any of the fire or rescue service organizations of St. Mary's County, provided that not more than one (1) office shall be counted in any calendar year.

6) One-half (1/2) of a point is credited for each hour of acceptable collateral duties, such as but not limited to apparatus and building maintenance, official standby and fire prevention, provided that not more than twenty-five (25) points may be credited for all collateral duties performed per year.

7) A volunteer member who serves or has served full-time military service in the armed forces of the United States receives credit at the rate of five (5) points for each month served, provided that not more than fifty (50) points can be credited for any calendar year. A maximum of four (4) years of creditable service may be acquired in this manner. The volunteer member must have been an active member for one (1) year prior to enlistment. The volunteer member must be reinstated within six (6) months after discharge.

This length of service program is funded by the County Commissioners by annual appropriations. The total contribution for the fiscal year ended June 30, 2019 was approximately \$1,815,000.

The Commissioners assign the authority to establish and amend the benefit provisions of the plan.

Net pension liability of the county

The components of the net pension liability of the LOSAP plan at June 30, 2019, were as follows:

Total pension liability	\$ 24,838,644
Plan fiduciary net position	<u>3,143,952</u>
County's net pension liability	<u>\$ 21,694,692</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>12.66%</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Net pension liability of the county

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Not applicable
Investment rate of return	6.0%, compounded annually, net of investment expense
Mortality	RP-2014 Mortality Table with Blue Collar adjustment set forward 1 year and generational projection by Scale MP-2017

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2018 actuarial valuation report.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the plan's net position liability, calculated using a single discount rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one (1) percentage point lower or one (1) percentage point higher.

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>6.25%</u>	<u>Rate 7.25%</u>	<u>8.25%</u>
LOSAP Plan net pension liability	<u>\$ 25,426,245</u>	<u>\$ 21,694,692</u>	<u>\$ 18,719,746</u>

Asset allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

COMMISSIONERS OF ST. MARY’S COUNTY

**Notes to the Financial Statements
June 30, 2019**

8. RETIREMENT PLANS (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Asset allocation (continued)

<u>Asset Class</u>	<u>Allocation</u>
Domestic equity	38.2%
International equity	20.5%
Fixed income	22.4%
Hedge funds	8.7%
Private equity	2.4%
Real assets	2.6%
Cash equivalents	5.2%
Total	<u>100%</u>

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

As of June 30, 2019, the LOSAP plan reported a net pension liability of \$21,694,692. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2019.

For the year ended June 30, 2019, the LOSAP plan recognized pension expense of \$1,867,745 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 154,432
Net difference between projected and actual earnings on pension plan investments	<u>61,182</u>	<u>-</u>
Total	<u>\$ 61,182</u>	<u>\$ 154,432</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

8. RETIREMENT PLANS (continued)

The deferred outflows and deferred inflows will be amortized in the following fiscal years as follows:

Years ended June 30,	
2020	\$ (5,717)
2021	(5,717)
2022	(5,715)
2023	(24,625)
2024	(25,739)
2025	(25,737)

Discount rate

The current discount rate on the LOSAP plan is 6.00%.

COMPONENT UNITS

The component units are covered under the same State retirement plan as the County.

St. Mary's County Public Schools

Contribution rates for employer and other non-employer contributing entities (including the State of Maryland) are established by annual actuarial valuations using the individual entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The School System made

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

8. RETIREMENT PLANS (continued)

St. Mary's County Public Schools (continued)

required contributions totaling \$6,299,724 or 4.82% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$12,970,057 or 10.00% of current covered payroll for fiscal year 2019. The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by the GASB Codification.

As of June 30, 2019, the School System reported a liability of \$12,920,066 or 0.062% of the total liability of \$20,981,600,000.

St. Mary's County Library

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2019, the Library's total payroll and payroll for covered employees was \$2,327,611. No contributions were made by the Library for the year ended June 30, 2019.

For fiscal year 2019, the State contributed \$355,134 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement No. 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 17.06% of covered payroll.

St. Mary's Metropolitan Commission

Retirement and pension plan

MetCom's contribution to the System was \$487,479 for year ended June 30, 2019.

As of June 30, 2019, MetCom reported a liability of \$4,533,596 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MetCom's proportion of the net

pension liability was based on MetCom's share of contributions to the pension plan relative to the contribution of all participating employers. As of June 30, 2019, MetCom's proportion was .0216%.

Nationwide Retirement Solutions

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 100% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

9. INTERFUND BALANCES

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2019:

<u>Primary Government</u>	<u>Due From</u>	<u>Due to</u>
<u>General Fund</u>		
Fire & Rescue Revolving Loan Fund	\$ -	\$ 399,078
Special Assessments	-	466,510
Emergency Services Support Fund	-	1,664,428
Capital Projects Fund	-	32,627,804
Enterprise Fund	23,666	1,820,571
<u>Special Revenue Funds</u>		
<u>General Fund</u>		
	2,063,506	-
<u>Special Assessments</u>		
<u>General Fund</u>		
	466,510	-
<u>Capital Projects Fund</u>		
<u>General Fund</u>		
	32,627,804	-
<u>Enterprise Fund</u>		
<u>General Fund</u>		
	<u>1,820,571</u>	<u>23,666</u>
Total due from/due to	<u>\$37,002,057</u>	<u>\$37,002,057</u>

10. COMMITMENTS AND CONTINGENCIES

Primary government

There are several pending lawsuits in which the County is involved. The County attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of federally assisted grant programs, principal of which are the Departments of Education, Health and Human Services and Health and Mental Hygiene grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

10. COMMITMENTS AND CONTINGENCIES (continued)

Component units

St. Mary's County Public Schools

Legal proceedings

In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

School construction

As of June 30, 2019, the School System had entered into various school construction commitments which are not reflected in the statement of net position or balance sheet - governmental funds. They will be funded by the State of Maryland or County bond issues, totaling approximately \$20,591,632.

Grant program

The School System participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the granters or their representatives. Such federal programs were audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

Health insurance

The School System is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement, the insurance carrier assesses an initial charge paid by the School System through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the School System, up to a maximum of 5%. If the actual claims and expenses are less than the billed premium, the School System would be entitled to a refund. For the year ended June 30, 2019, management anticipates a refund in the amount of \$4,207,420.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

10. COMMITMENTS AND CONTINGENCIES (continued)

St. Mary's County Library

Grant audit

The Library receives federal funds, which are passed through the State of Maryland to the Library for specific purposes. The grants are subject to review and audit by the Maryland State Department of Education. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the granting agency. In the opinion of the Library's management, such disallowances, if any, will not be significant.

Support

The Library receives a substantial amount of its support from intergovernmental sources. A significant reduction in the level of this support, were this to occur, might have an effect on the Library's programs and activities.

11. OTHER POST EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Plan description

The County provides health, prescription and vision care insurance benefits to eligible retirees and their eligible dependents and life insurance for retirees only. Eligible persons include employees, former employees, or beneficiaries who are receiving pensions, and meet the eligibility requirements of the Maryland State Retirement and Pension System and the St. Mary's County Sheriff's Department Retirement Plan. The County pays a percentage of premiums based on years of service. For employees retiring prior to July 1, 2010, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 10 years of service to 85% with 25 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by the Board of County Commissioners.

The OPEB plan is administered through the single- employer Retiree Benefit Trust of St. Mary's County, Maryland as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

PRIMARY GOVERNMENT (continued)

Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government Investment Pool, the Maryland Association of Counties (MACo) OPEB Trust, and limited partnerships. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	391
Active plan members	655

The Trustees determine how much is contributed to the OPEB Trust as part of the budget process. The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of the GASB codification. The ADC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of thirty years. The current ADC is \$6,097,000. The County contributed the pay-go amount of \$3,390,502 to the OPEB Trust during the year ended June 30, 2019.

Investments

The County's investment authority is established in the Investment Policy for the Retiree Benefit Trust of St. Mary's County, Maryland. The investment allocation of the Trust, per the policy is as follows:

	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
Domestic Large Cap Equities	12%	22%	32%
Domestic Small/Mid Cap Equities	5%	9%	14%
Real Estate Equities	4%	8%	12%
International Equities	7%	10%	13%
Emerging Market Equities	0%	5%	7%
Domestic Fixed Income	16%	22%	36%
TIPS	0%	5%	7%
High Yield Fixed Income	0%	5%	7%
Real Estate Alternatives	0%	6%	6%
Private Equity	0%	12%	12%
Cash Equivalents	0%	0%	10%

For the year ended June 30, 2019, the annual money weighted rate of return of the OPEB Trust was 8.2%.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

PRIMARY GOVERNMENT (continued)

The components of the net OPEB liability of the County as of June 30, 2019, were as follows:

Total OPEB liability	\$ 96,070,941
Plan fiduciary net position	<u>85,947,890</u>
County's net OPEB liability	<u>\$ 10,123,051</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>89.46%</u>

Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.30%
Salary increases	3.50%
Investment rate of return	6.00%
Healthcare cost trend rate	5.8% trending to 4.0% (pre-Medicare) and 3.9% (post-Medicare)
Discount Rate	7.07%

The discount rate used to measure the total OPEB liability was 7.07% as of June 30, 2019. The projection of cash flow used to determine the discount rate assumed that the County's contributions will be made at rates equal to the pay-go amounts and not the actuarially determined contribution rates. The County would not make additional contributions to the OPEB trust and continue to fund the Plan on a pay-as-you-go basis. Based on those assumptions, the OPEB Plan is expected to become insolvent in 2100. Therefore, a blended discount rate was determined based on the fully funded rate of 7.08%, when assets are available prior to 2100, and the unfunded rate of 3.13% for 2100 and beyond. The blended rate of 7.07% was determined based on this method.

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

PRIMARY GOVERNMENT (continued)

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	<u>1% Decrease 6.07%</u>	<u>Current Discount Rate 7.07%</u>	<u>1% Increase 8.07%</u>
Net OPEB liability	<u>\$ 25,850,117</u>	<u>\$ 10,123,051</u>	<u>\$ (2,435,822)</u>
	<u>1% Decrease 2.80%</u>	<u>Medical Trend 3.80%</u>	<u>1% Increase 4.8%</u>
Net OPEB liability	<u>\$ (4,085,563)</u>	<u>\$ 10,123,051</u>	<u>\$ 28,264,337</u>

For the year ended June 30, 2019, the County recognized OPEB expense of approximately (\$63,561). As of June 30, 2019, the County reported deferred outflows of resources and

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 5,027,535
Net difference between projected and actual earnings on pension plan investments	-	4,401,578
Net difference between actual and expected experience	<u>-</u>	<u>3,663,987</u>
Total	<u>\$ -</u>	<u>\$ 13,093,100</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

Years ended June 30,

2020	\$ (3,408,639)
2021	(3,408,640)
2022	(2,668,286)
2023	(2,009,542)
2024	(1,628,243)
2025	30,250

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

COMPONENT UNITS

St. Mary's County Library

Plan description

The Library provides health, prescription and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of five years of eligible Library service entering an immediate retirement, family members of retirees and family members of deceased employees. The Library pays a percentage of premiums based on the date of hire and number of years of service. For employees retiring prior to July 1, 2010, or hired before July 1, 1991, regardless of retirement date, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 10 years of service to 85% with 25 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by The Library Board of Trustees.

The Library's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Library as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	8
Active plan members	20

Investments

The Library's investment authority is established in the Retiree Benefit Trust of St. Mary's County Library. For the year ended June 30, 2019, the annual money weighted rate of return of the OPEB Trust was 5.7%.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

St. Mary's County Library (continued)

The components of the net OPEB liability of the Library as of June 30, 2019, were as follows:

Total OPEB liability	\$ 2,211,405
Plan fiduciary net position	<u>1,044,765</u>
County's net OPEB liability	<u>\$ 1,166,640</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>47.24%</u>

Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.30%
Investment rate of return	6.00%
Healthcare cost trend rate	6.9% trending to 3.9%
Discount Rate	5.25%

The long-term nominal expected rate of return on OPEB plan investments of 5.25% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

The discount rate used to measure the total OPEB liability was 5.25% as of June 30, 2019. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net OPEB liability	<u>\$ 1,616,161</u>	<u>\$ 1,166,640</u>	<u>\$ 812,505</u>
	1% Decrease 2.90%	Medical Trend 3.90%	1% Increase 4.9%
Net OPEB liability	<u>\$ 742,187</u>	<u>\$ 1,166,640</u>	<u>\$ 1,740,823</u>

For the year ended June 30, 2019, the Library recognized OPEB expense of \$89,630. As of June 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 65,349
Net difference between projected and actual earnings on pension plan investments	-	26,560
Net difference between actual and expected experience	<u>38,417</u>	<u>129,676</u>
Total	<u>\$ 38,417</u>	<u>\$ 221,585</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

St. Mary's County Library (continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

Years ended June 30,

2020	\$	(37,970)
2021		(37,971)
2022		(30,711)
2023		(27,976)
2024		(27,017)
2025		(21,523)

St. Mary's Metropolitan Commission

Plan description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, eligible retirees' family members and the family members of deceased employees as a single-employer plan. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of eligible retirees and family members of deceased employees. MetCom pays a percentage of premiums based on the date of hire and number of years of service. For employees hired prior to May 10, 2007, the percentage ranges from 53.13% with ten years of service to 85% with 16 or more years of service. The percentages for employees hired on or after May 10, 2007, range from 21.25% with 15 years of service to 85% with 30 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by MetCom's Board of Commissioners.

MetCom's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government Investment Pool and the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

St. Mary's Metropolitan Commission (continued)

As of June 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	8
Active plan members	20

Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. For the year ended June 30, 2019, the annual money weighted rate of return of the OPEB Trust was 5.7%.

The components of the net OPEB liability of MetCom as of June 30, 2019, were as follows:

	2019
Total OPEB liability	\$ 9,349,833
Plan fiduciary net position	6,292,184
Net OPEB liability	<u>\$ 3,057,649</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>67.30%</u>

Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.30%
Investment rate of return	6.00%
Healthcare cost trend rate	6.9% trending to 3.9%
Discount Rate	5.25%

The long-term nominal expected rate of return on OPEB plan investments of 6.68% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

St. Mary's Metropolitan Commission (continued)

The discount rate used to measure the total OPEB liability was 6.68% as of June 30, 2019. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 2.90%	Medical Trend 3.90%	1% Increase 4.90%
Net OPEB Liability	\$1,494,433	\$ 3,057,649	\$5,092,491
	1% Decrease 5.68%	Discount Rate 6.68%	1% Increase 7.68%
Net OPEB Liability	\$4,857,935	\$ 3,057,649	\$1,651,972

For the year ended June 30, 2019, the County recognized OPEB expense of \$464,889. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between expected and actual experience	\$ 54,599	\$ -
Changes of assumptions	-	294,107
Net Difference between projected and actual earnings on OPEB plan Investments	87,860	-
Employer contribution Subsequent to measurement date	-	-
	<u>\$ 142,459</u>	<u>\$ 294,107</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (4,305)
2021	(4,303)
2022	3,630
2023	(12,998)
2014	(26,459)
Thereafter	(107,213)
Total	<u>\$ (151,648)</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

St. Mary's County Public Schools

The School System provides post-employment health care and life insurance benefits (OPEB Plan) to employees, former employees, or beneficiaries who meet retirement eligibility requirements of the pension plans. Effective July 1, 2007, by terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for ten or more years. These negotiated agreements provide that the School System will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. In addition, the School System pays 100% of life insurance premiums based upon 50% of final salary coverage.

As of June 30, 2019, the date of the last actuarial valuation, approximately 992 retirees were receiving benefits, and 1,653 active employees are potentially eligible to receive future benefits.

The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the annual determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ADC rate is 10.79% of annual covered payroll. The ADC consisted of the normal cost of \$5,211,000, and the amortization of unfunded accrued liability of \$8,888,000. The School System contributed \$5,811,441, for the year ended June 30, 2019, entirely consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with no additional contributions in the current year to prefund future benefits to the retirement benefit trust fund.

The components of the School Systems net OPEB liability as June 30, 2019 are as follows:

Total OPEB liability	\$ 398,448,773
Plan fiduciary net position	<u>49,753,329</u>
County's net OPEB liability	<u>\$ 348,695,444</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>12.49%</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

11. OTHER POST EMPLOYMENT BENEFITS (continued)

St. Mary's County Public Schools (continued)

Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.40%
Investment rate of return	7.00%
Salary increase	3.50%
Healthcare cost trend rate	5.4% trending to 3.29%
Discount Rate	3.13%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, expected returns, net of investment expense and inflation are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the MABE Trust as of June 30, 2019, was 3.13%.

Discount rate. The discount rate used to measure the total OPEB liability was 3.13 percent. The projection of cash flow used to determine the discount rate assumed that the School System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using rates that are 1% higher and 1% lower:

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2019**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

St. Mary's County Public Schools (continued)

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
Net OPEB liability	<u>\$ 440,442,590</u>	<u>\$ 348,695,444</u>	<u>\$ 278,777,174</u>
	<u>1% Decrease 3.0%</u>	<u>Medical Trend 4.00%</u>	<u>1% Increase 5.0%</u>
Net OPEB liability	<u>\$ 276,528,551</u>	<u>\$ 348,695,444</u>	<u>\$ 446,946,652</u>

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the Board recognized OPEB expense of \$23,664,244. As of June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 32,586,435	\$ 1,990,286
Net difference between projected and actual earnings on pension plan investments	-	154,529
Net difference between actual and expected experience	<u>241,138</u>	<u>24,973,220</u>
Total	<u>\$ 32,827,573</u>	<u>\$ 27,118,035</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to OPEB will be recognized in OPEB expense as follows:

Years ended June 30,

2020	\$ 655,357
2021	655,357
2022	655,357
2023	686,492
2024	701,773
Thereafter	2,355,202

Detailed OPEB plan information for the School System is available in their current year audited financial statements.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

12. LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the Commissioners of St. Mary's County to place a final cover on landfill sites when the site stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Commissioners of St. Mary's County report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,655,000 reported as landfill closure and post-closure care liability at June 30, 2019, represents the cumulative amount reported to date. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Estimated closure and post-closure costs were taken from a 1990 Cost Analysis, for cell numbers three and five, and from current contract commitments for closure for cell numbers one, two and four. A 3% inflation factor was assumed. Post-closure costs are budgeted and paid annually.

13. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and related disasters. The County is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessment. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members.

Annual premiums are assessed for the various policy coverages. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

14. SELF-INSURANCE

The County self-insures its worker's compensation costs and liabilities. The County establishes funding of claim liabilities as they occur. This funding level includes provisions for legal, medical and lost wages expenses which are all classified as incremental claim adjustment expenses. Unpaid claims in the self-insurance funds

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2019

14. SELF-INSURANCE (continued)

include liabilities for unpaid claims based upon individual case estimates for claims reported at June 30, 2019. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2019.

15. SUBSEQUENT EVENTS

On July 9, 2019, notice was given to the Board of Trustees of the Maryland Association of Counties Pooled OPEB Trust Fund that the County has elected to withdraw from the Trust Fund. On October 16, 2019, \$1,252,720.29 was received as the final distribution and subsequently distributed to the Retiree Benefit Trust of St. Mary's County.

On September 24, 2019 the Commissioners accepted and executed Resolution 2019-35 to enter into a lease purchase agreement with Banc of America Public Capital Corp. for the financing, acquisition and installation of vehicles and equipment approved in the fiscal year 2020 budget. On October 11, 2019, the County secured a financing lease totaling \$2,650,000 with an interest rate at 1.7077% to be repaid in five annual payments beginning April 2020.

The County evaluated the subsequent events and transactions through December 20, 2019, the date these financial statements were available for issue and have determined that no material subsequent events have occurred, other than noted above, that would affect the information presented in the accompanying basic financial statements or require additional disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Revenues, Expenditures, Encumbrances, and Other Financing Sources and Uses Budget (Non-GAAP) Basis and Actual – General Fund

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Favorable
	Original	Final		(Unfavorable)
				Variance
REVENUES				
Property taxes	\$ 110,428,505	\$ 110,428,505	\$ 110,200,973	\$ (227,532)
Income taxes	93,904,332	93,904,332	97,443,439	3,539,107
Energy taxes	1,000,000	1,000,000	1,017,105	17,105
Recordation taxes	5,800,000	5,800,000	6,387,490	587,490
Other Local taxes	1,610,000	1,610,000	1,522,713	(87,287)
Highway user revenues	1,650,897	1,650,897	1,674,910	24,013
Licenses and permits	1,785,921	1,785,921	1,613,396	(172,525)
State/federal grants	6,902,066	7,608,454	6,193,223	(1,415,231)
Charges for services	3,175,645	3,230,599	3,060,721	(169,878)
Fines and forfeitures	27,500	27,500	66,592	39,092
Investment and other revenues	785,577	849,167	2,101,369	1,252,202
Sub-total	227,070,443	227,895,375	231,281,931	3,386,556
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND REVENUES	227,070,443	227,895,375	231,281,931	3,386,556
EXPENDITURES				
General government	26,077,187	25,477,896	23,888,081	1,589,815
Public safety	46,573,569	50,188,531	45,781,223	4,407,308
Public works	10,173,370	11,079,964	10,818,442	261,522
Health	2,962,436	2,765,891	2,789,716	(23,825)
Social services	4,457,509	4,432,983	4,240,940	192,043
Primary and secondary education	106,205,683	106,387,508	106,264,747	122,761
Post-secondary education	4,391,961	4,375,136	4,375,137	(1)
Parks, recreation and culture	4,061,127	3,864,377	4,055,716	(191,339)
Libraries	2,878,050	2,878,050	2,878,050	-
Conservation of natural resources	638,198	624,452	613,642	10,810
Economic development and opportunity	1,915,452	1,951,298	2,469,473	(518,175)
Debt service	11,667,432	11,667,432	11,635,436	31,996
Inter-governmental	43,493	43,493	43,493	-
Other	3,270,000	3,270,000	3,415,729	(145,729)
Sub-total	225,315,467	229,007,011	223,269,825	5,737,186
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND EXPENDITURES	225,315,467	229,007,011	223,269,825	5,737,186
OTHER FINANCING SOURCES AND USES				
Fund balance	2,085,000	4,736,539	-	(4,736,539)
Reserves - grants (expenditures)	(1,000,000)	(175,068)	-	175,068
Reserves - grants (revenues)	1,000,000	175,068	-	(175,068)
Reserves - emergency appropriations	(500,085)	(450,012)	-	450,012
Reserves- school safety	(1,000,000)	-	-	-
Reserves - bond rating	(400,000)	(400,000)	(669,697)	(269,697)
General fund transfer/pay-go - capital projects	(1,939,891)	(2,774,891)	(2,774,891)	-
TOTAL OTHER FINANCING SOURCES AND USES	(1,754,976)	1,111,636	(3,444,588)	(4,556,224)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	4,567,518	\$ 4,567,518
Reconciliation to GAAP Basis Financial Statements				
Effect of encumbrances			901,310	
			<u>\$ 5,468,828</u>	

COMMISSIONERS OF ST. MARY’S COUNTY

**Schedule of County’s Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the System net pension liability (asset)	0.10%	0.10%	0.10%	0.05%	0.09%
County's proportionate share of the System net pension liability (asset)	<u>\$ 21,827,060</u>	<u>\$ 21,380,865</u>	<u>\$ 23,903,575</u>	<u>\$21,747,150</u>	<u>\$16,643,117</u>
Total	<u>\$ 21,827,060</u>	<u>\$ 21,380,865</u>	<u>\$ 23,903,575</u>	<u>\$21,747,150</u>	<u>\$16,643,117</u>
County's covered-employee payroll	\$ 25,859,493	\$ 24,077,933	\$ 23,960,863	\$22,117,812	\$20,945,112
County's proportionate share of the net pension liability (asset) as a percentage of its	84.41%	88.80%	99.76%	98.32%	79.46%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	65.79%	68.78%	71.87%

Note- This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

COMMISSIONERS OF ST. MARY'S COUNTY

**Schedule of Contributions and Related Ratios of the Net Pension Liability of the Maryland State Retirement and Pension System
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,180,432	\$ 2,050,819	\$ 2,012,485	\$ 1,973,642	\$ 2,205,647
Contributions in relation to the contractually required contribution	<u>(2,180,432)</u>	<u>(2,050,819)</u>	<u>(2,012,485)</u>	<u>(1,973,642)</u>	<u>(2,205,647)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County's covered-employee payroll	\$ 25,859,493	\$ 24,077,933	\$ 23,960,863	\$ 22,117,812	\$20,945,112
Contributions as a percentage of covered-employee payroll	8.43%	8.52%	8.40%	8.92%	10.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

COMMISSIONERS OF ST. MARY'S COUNTY

**Schedule of Changes in Net Pension Liability and Related Ratios – Sheriff's Office Retirement Plan
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:						
Service cost	\$ 3,829	\$ 4,129	\$ 3,979	\$ 3,826	\$ 3,687	\$ 3,475
Interest	9,180	8,576	7,867	7,317	6,564	6,286
Differences between expected and actual experience	(8,105)	-	626	-	-	-
Changes of assumptions	4,551	-	1,308	-	3,445	-
Benefit payments, including refunds of member contributions	(4,430)	(4,324)	(3,672)	(3,436)	(3,193)	(2,862)
Net change in total pension liability	5,025	8,381	10,108	7,707	10,503	6,899
Total pension liability – beginning	128,836	120,455	110,347	102,640	92,137	85,238
Total pension liability – ending (a)	<u>\$133,861</u>	<u>\$128,836</u>	<u>\$120,455</u>	<u>\$110,347</u>	<u>\$102,640</u>	<u>\$ 92,137</u>
Plan fiduciary net position:						
Contributions – employer	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,605
Contributions – member	1,103	1,055	1,085	1,011	945	1,082
Net investment income	3,434	5,661	7,724	(1,803)	(465)	8,480
Benefit payments, including refunds of member contributions	(4,430)	(4,324)	(3,672)	(3,436)	(3,193)	(2,862)
Administrative expense	(162)	(114)	(93)	(122)	(79)	(78)
Net change in plan fiduciary net position	5,589	7,425	10,193	466	2,405	12,227
Plan fiduciary net position – beginning	85,693	78,268	68,075	67,609	65,204	52,977
Plan fiduciary net position – ending (b)	<u>\$ 91,282</u>	<u>\$ 85,693</u>	<u>\$ 78,268</u>	<u>\$ 68,075</u>	<u>\$ 67,609</u>	<u>\$ 65,204</u>
County's Net Pension Liability – ending (a) – (b)	<u>\$ 42,579</u>	<u>\$ 43,143</u>	<u>\$ 42,187</u>	<u>\$ 42,272</u>	<u>\$ 35,031</u>	<u>\$ 26,933</u>
Plan fiduciary net position as a percentage of the total pension liability	68.19%	66.51%	64.98%	61.69%	65.87%	70.77%
Covered employee payroll	14,216	12,965	13,981	12,740	12,774	13,537
County's net pension liability as a percentage of covered employee payroll	299.51%	332.77%	301.75%	331.81%	274.24%	198.96%

Notes to schedule:

Information prior to 2014 is not available

COMMISSIONERS OF ST. MARY’S COUNTY

**Schedule of Contributions and Related Ratios – Sheriff’s Office Retirement Plan
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,144
Contributions related to the actuarially determined contribution	<u>5,644</u>	<u>5,147</u>	<u>5,149</u>	<u>4,816</u>	<u>5,197</u>	<u>5,605</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(461)</u>
Covered employee payroll	14,216	12,965	13,981	12,740	12,774	13,537
Contributions as a percentage of covered employee payroll	39.70%	39.70%	36.83%	37.80%	40.68%	41.41%

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year. Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll over all years of service
Remaining amortization period	18 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.0 percent compounded annually
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016

COMMISSIONERS OF ST. MARY’S COUNTY

**Schedule of Changes in Net Pension Liability and Related Ratios – Length of Service Program
June 30, 2019**

	<u>2019</u>	<u>2018</u>
Total pension liability:		
Service cost	\$ 608	\$ 608
Interest	1,400	1,355
Differences between expected and actual experience	-	-
Changes of assumptions	-	(206)
Benefit payments, including refunds of member contributions	<u>(1,015)</u>	<u>(964)</u>
Net change in total pension liability	993	793
Total pension liability – beginning	<u>23,846</u>	<u>23,053</u>
Total pension liability – ending (a)	<u>\$ 24,839</u>	<u>\$ 23,846</u>
Plan fiduciary net position:		
Contributions – employer	\$ 1,815	\$ 1,566
Contributions – member	-	-
Net investment income	151	19
Benefit payments, including refunds of member contributions	(1,015)	(964)
Administrative expense	<u>(22)</u>	<u>(9)</u>
Net change in plan fiduciary net position	929	612
Plan fiduciary net position – beginning	<u>2,215</u>	<u>1,603</u>
Plan fiduciary net position – ending (b)	<u>\$ 3,144</u>	<u>\$ 2,215</u>
County’s Net Pension Liability – ending (a) – (b)	<u>\$ 21,695</u>	<u>\$ 21,631</u>
Plan fiduciary net position as a percentage of the total pension liability	12.66%	9.29%
Covered employee payroll	n/a	n/a
County’s net pension liability as a percentage of covered employee payroll	n/a	n/a

Notes to schedule:

Information prior to 2018 is not available

COMMISSIONERS OF ST. MARY’S COUNTY

**Schedule of Contributions and Related Ratios – Length of Service Program
June 30, 2019**

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 5,644	\$ 2,325
Contributions related to the actuarially determined contribution	<u>5,644</u>	<u>1,566</u>
Contribution deficiency (excess)	<u>-</u>	<u>759</u>
Covered employee payroll	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1). Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Traditional Unit Credit
Amortization method	Level payments over closed periods
Remaining amortization period	20 years (closed)
Asset valuation method	Market value
Inflation	2.75 percent
Salary increases	Not applicable
Investment rate of return	6.0 percent, compounded annually
Retirement age	Normal retirement age
Mortality	RP-2014 Mortality Table with Blue Collar adjustment set forward 1 year with generational projection by Scale MP-2017

COMMISSIONERS OF ST. MARY'S COUNTY

**Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:			
Service cost	\$ 2,083	\$ 2,268	\$ 2,233
Interest	6,311	6,624	6,250
Differences between expected and actual experience	212	(5,530)	183
Changes of assumptions	-	(6,080)	(1,199)
Benefit payments, including refunds of member contributions	<u>(3,391)</u>	<u>(3,134)</u>	<u>(3,009)</u>
Net change in total OPEB liability	5,215	(5,852)	4,458
Total OPEB liability – beginning	<u>90,855</u>	<u>96,707</u>	<u>92,249</u>
Total OPEB liability – ending (a)	<u>\$ 96,070</u>	<u>\$ 90,855</u>	<u>\$ 96,707</u>
Plan fiduciary net position:			
Contributions – employer	\$ 3,391	\$ 3,134	\$ 3,009
Contributions – member	-	-	-
Net investment income	6,804	8,360	8,203
Benefit payments, including refunds of member contributions	(3,391)	(3,134)	(3,009)
Administrative expense	<u>(575)</u>	<u>(396)</u>	<u>(51)</u>
Net change in plan fiduciary net position	6,229	7,964	8,152
Plan fiduciary net position – beginning	<u>79,718</u>	<u>71,754</u>	<u>63,602</u>
Plan fiduciary net position – ending (b)	<u>\$ 85,947</u>	<u>\$ 79,718</u>	<u>\$ 71,754</u>
County's Net OPEB Liability – ending (a) – (b)	<u>\$ 10,123</u>	<u>\$ 11,137</u>	<u>\$ 24,953</u>
Plan fiduciary net position as a percentage of the total OPEB liability	89.46%	87.74%	74.20%
Covered employee payroll	40,075	39,830	39,756
County's net OPEB liability as a percentage of covered employee payroll	25.26%	27.96%	62.77%

Notes to schedule:

Information prior to 2017 is not available

COMMISSIONERS OF ST. MARY’S COUNTY

**Schedule of Contributions to Net OPEB and Related Ratios
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 6,097	\$ 5,879	\$ 5,217
Contributions related to the actuarially determined contribution	<u>3,391</u>	<u>3,134</u>	<u>3,009</u>
Contribution deficiency (excess)	<u>2,706</u>	<u>2,745</u>	<u>2,208</u>
Covered employee payroll	40,075	39,830	39,756
Contributions as a percentage of covered employee payroll	8.46%	7.87%	7.57%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Project unit cost
Amortization method	Level percentage of payroll
Remaining amortization period	20 years
Asset valuation method	Market values
Inflation	2.30 percent
Salary increases	3.50 percent
Investment rate of return	6.00 percent
Healthcare cost trend rate	The trend for 2018 is 5.8%. The ultimate trend is 4.0% (pre-medicare) and 3.9% (post-medicare)

COMBINING AND INDIVIDUAL FUND STATEMENTS

COMMISSIONERS OF ST. MARY'S COUNTY

**Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2019**

	<u>Special Assessments</u>	<u>Fire and Rescue Revolving Loan Fund</u>	<u>Emergency Services Support Fund</u>	<u>Total Non-Major Funds</u>
ASSETS				
Due from other funds	\$ 466,510	\$ 399,078	\$ 1,664,428	\$ 2,530,016
Special tax assessments receivable, current portion	328	-	-	328
Note receivable, fire and rescue loans, current portion	-	689,112	-	689,112
Emergency support services taxes receivable	-	-	56,223	56,223
Special tax assessments receivable, (net of current portion)	89,475	-	-	89,475
Note receivable, fire and rescue loans, (net of current portion)	-	2,663,398	-	2,663,398
TOTAL ASSETS	<u>\$ 556,313</u>	<u>\$ 3,751,588</u>	<u>\$ 1,720,651</u>	<u>\$ 6,028,552</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 815,743	\$ 815,743
Unearned revenue	97,205	3,352,510	-	3,449,715
Other liabilities	-	-	(2,883)	(2,883)
Compensation-related liabilities	-	-	18,908	18,908
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>97,205</u>	<u>3,352,510</u>	<u>831,768</u>	<u>4,281,483</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Committed	459,108	399,078	888,883	1,747,069
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>459,108</u>	<u>399,078</u>	<u>888,883</u>	<u>1,747,069</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 556,313</u>	<u>\$ 3,751,588</u>	<u>\$ 1,720,651</u>	<u>\$ 6,028,552</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2019

	Special Assessments	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major Funds
REVENUE				
Special Assessments	\$ 72,789	\$ -	\$ -	\$ 72,789
Emergency services support tax	-	-	3,071,716	3,071,716
Transfer tax	-	150,000	-	150,000
Other	-	-	303,030	303,030
TOTAL REVENUE	<u>72,789</u>	<u>150,000</u>	<u>3,374,746</u>	<u>3,597,535</u>
EXPENDITURES				
Debt service:				
Debt service	42,369	-	128,138	170,507
Public safety:				
LOSAP, pension, and OPEB	-	-	1,813,354	1,813,354
Fire & rescue operating allocations	-	-	779,977	779,977
Advanced life support	-	-	702,531	702,531
Emergency services committee	-	-	178,243	178,243
Emergency management	-	-	-	-
TOTAL EXPENDITURES	<u>42,369</u>	<u>-</u>	<u>3,602,243</u>	<u>3,644,612</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	30,420	150,000	(227,497)	(47,077)
OTHER FINANCING SOURCES AND USES				
Fire and rescue loan repayments	-	657,717	-	657,717
Loans to fire and rescue	-	(775,309)	-	(775,309)
Capital projects fund transfer	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(117,592)</u>	<u>-</u>	<u>(117,592)</u>
NET CHANGES IN FUND BALANCES	<u>30,420</u>	<u>32,408</u>	<u>(227,497)</u>	<u>(164,669)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>428,688</u>	<u>366,670</u>	<u>1,116,380</u>	<u>1,911,738</u>
FUND BALANCES - END OF YEAR	<u>\$ 459,108</u>	<u>\$ 399,078</u>	<u>\$ 888,883</u>	<u>\$ 1,747,069</u>

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OTHER SUPPLEMENTAL INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual
 General Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
PROPERTY TAXES				
Real property taxes	\$ 104,372,889	\$ 104,372,889	\$ 104,678,982	\$ 306,093
Payments in lieu of taxes	318,948	318,948	309,324	(9,624)
Personal property	189,546	189,546	223,188	33,642
Public utilities	2,689,751	2,689,751	2,508,249	(181,502)
Ordinary business corporations	3,601,371	3,601,371	3,473,777	(127,594)
Additions and abatements	(500,000)	(500,000)	(914,940)	(414,940)
Penalties and interest	915,000	915,000	920,150	5,150
State homeowners credit (circuit breaker)	900,000	900,000	894,961	(5,039)
Homeowners tax credit (county)	(900,000)	(900,000)	(894,961)	5,039
Other tax credits	(1,159,000)	(1,159,000)	(997,757)	161,243
Total property taxes	110,428,505	110,428,505	110,200,973	(227,532)
Income Tax				
Local income tax	93,904,332	93,904,332	97,443,439	3,539,107
Other Local Taxes				
Recordation taxes	5,800,000	5,800,000	6,387,490	587,490
Energy taxes	1,000,000	1,000,000	1,017,105	17,105
Public accommodations tax	1,150,000	1,150,000	1,053,142	(96,858)
Trailer park tax	310,000	310,000	317,643	7,643
Admissions and amusement	150,000	150,000	151,928	1,928
Total other local taxes	8,410,000	8,410,000	8,927,308	517,308
State-shared taxes - highway users	1,650,897	1,650,897	1,674,910	24,013
TOTAL TAXES	214,393,734	214,393,734	218,246,630	3,852,896
LICENSES AND PERMITS				
Business	611,421	611,421	532,255	(79,166)
Marriage/animal licenses	12,500	12,500	6,230	(6,270)
Other	112,000	112,000	87,918	(24,082)
CATV franchise fees	1,050,000	1,050,000	986,993	(63,007)
TOTAL LICENSES AND PERMITS	1,785,921	1,785,921	1,613,396	(172,525)
INTER-GOVERNMENTAL				
General government	1,051,798	1,225,434	923,525	(301,909)
Public safety	2,314,217	3,462,901	2,104,933	(1,357,968)
Public works	2,003,010	1,764,281	1,226,596	(537,685)
Social services	900,383	852,488	846,480	(6,008)
Health	607,658	483,480	493,319	9,839
Parks, recreation and culture	25,000	(180,130)	25,429	205,559
Economic development & opportunity	-	-	572,941	572,941
TOTAL INTER-GOVERNMENTAL	6,902,066	7,608,454	6,193,223	(1,415,231)

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual
 General Fund (continued)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
CHARGES FOR SERVICES				
General government	\$ 581,942	\$ 539,112	\$ 731,195	\$ 192,083
Public safety	1,666,902	1,802,186	1,614,941	(187,245)
Public works	657,784	620,284	521,859	(98,425)
Social services	124,017	124,017	29,379	(94,638)
Parks, recreation and culture	145,000	145,000	163,347	18,347
TOTAL CHARGES FOR SERVICES	3,175,645	3,230,599	3,060,721	(169,878)
FINES AND FORFEITURES				
General government	23,500	23,500	59,037	35,537
Public safety	4,000	4,000	7,555	3,555
TOTAL FINES AND FORFEITURES	27,500	27,500	66,592	39,092
OTHER REVENUES				
General Government				
Interest	350,000	350,000	1,767,867	1,417,867
Grant reserve	1,000,000	175,068	-	(175,068)
Contributions and donations	435,577	499,167	333,502	(165,665)
TOTAL OTHER REVENUES	1,785,577	1,024,235	2,101,369	1,077,134
TOTAL, BEFORE PASS-THROUGH PROCEEDS	228,070,443	228,070,443	231,281,931	3,211,488
Pass-through proceeds	-	-	-	-
OTHER FINANCING SOURCES				
Appropriation of fund balance	2,085,000	4,736,539	-	(4,736,539)
TOTAL REVENUES INCLUDING PASS-THROUGHS	\$ 230,155,443	\$ 232,806,982	\$ 231,281,931	\$ (1,525,051)

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual General Fund (continued) For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
GENERAL GOVERNMENT				
Legislative/county commissioners				
Legislative/county commissioners	\$ 477,634	\$ 464,274	\$ 438,575	\$ 25,699
County administrator	404,934	406,234	385,166	21,068
Public information	247,909	244,809	229,785	15,024
County attorney	754,937	739,075	682,884	56,191
Legislative/county commissioners	1,885,414	1,854,392	1,736,410	117,982
Department of finance				
Administration/budget	708,002	673,628	656,953	16,675
Accounting	608,607	617,034	598,907	18,127
Auditing	50,980	50,980	47,981	2,999
Procurement	315,439	297,939	284,187	13,752
Department of finance	1,683,028	1,639,581	1,588,028	51,553
Department of emergency services & technology				
Technology	3,742,751	3,773,817	3,625,877	147,940
Department of human resources				
Human resources	975,158	997,109	924,675	72,434
Risk management	812,944	814,794	696,503	118,292
Grants	-	3,170	3,170	-
Department of human resources	1,788,102	1,815,073	1,624,348	190,726
Department of public works & transportation				
Building services	4,175,588	3,851,418	3,736,885	114,533
Development review	175,035	142,035	125,067	16,968
Mailroom/messenger services	110,718	110,918	116,453	(5,535)
Vehicle maintenance shop	1,623,444	1,622,238	1,591,588	30,650
Department of public works & transportation	6,084,785	5,726,609	5,569,993	156,616
Department of land use & growth management				
Administration	791,042	845,752	765,440	80,312
Board of electrical examiners	14,300	14,300	11,730	2,570
Comprehensive planning	373,441	263,194	214,930	48,264
Development services	389,222	258,222	231,665	26,557
Inspections & compliance	614,666	448,336	364,710	83,626
Permit services	372,209	326,709	313,631	13,078
Zoning administration	345,701	225,976	202,517	23,459
Building code appeals board	2,900	2,900	-	2,900
Commission on the environment	2,825	2,825	25	2,800
Plumbing & gas board	1,850	1,850	-	1,850
Planning commission	26,765	26,765	23,956	2,809
Boards and commissions	20,037	20,037	17,673	2,364
Historical preservation	3,580	3,580	1,170	2,410
Grants	2,000	2,000	-	2,000
Department of land use & growth management	2,960,538	2,442,446	2,147,447	294,999
Department of Human Services				
				-
				-
				-
Department of Human Services	-	-	-	-
Circuit court				
Administration	1,021,216	1,019,628	914,136	105,492
Law library	69,950	69,950	54,317	15,633
Grants	759,632	966,877	858,946	107,931
Orphan's court	64,394	65,094	64,797	297
Circuit court	1,915,192	2,121,549	1,892,196	229,353
Office of the state's attorney				
Judicial	2,943,401	3,037,801	2,961,343	76,458
Grants	705,735	705,627	636,287	69,340
Office of the state's attorney	3,649,136	3,743,428	3,597,630	145,798
County treasurer	485,617	477,917	443,763	34,154

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual
 General Fund (continued)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Alcohol beverage board	\$ 329,772	\$ 329,772	\$ 309,086	\$ 20,686
Supervisors of elections	1,112,625	1,113,085	973,476	139,609
Ethics commission	833	833	-	833
SDAT - Leonardtown Office	439,394	439,394	379,828	59,566
Total general government	\$ 26,077,187	\$ 25,477,896	\$ 23,888,081	\$ 1,589,815
PUBLIC SAFETY				
Department of Emergency Services				
Emergency management	357,574	426,919	392,374	34,545
Animal control	795,287	971,950	839,608	132,342
Emergency communications center	2,991,259	2,822,088	2,816,589	5,499
Emergency radio communications	1,258,292	1,573,860	1,501,834	72,026
Grants	727,227	1,904,047	624,271	1,279,776
Department of Emergency Services	6,129,639	7,698,864	6,174,677	1,524,187
Office of the sheriff				
Law enforcement	25,592,844	27,302,501	26,397,413	905,088
Corrections	12,593,203	12,808,696	11,126,915	1,681,781
Training	413,389	413,389	308,757	104,632
Canine	38,800	38,800	34,320	4,480
Court security	872,402	873,352	849,027	24,325
Grants	933,292	1,052,929	890,115	162,815
Office of the sheriff	40,443,930	42,489,667	39,606,547	2,883,120
Total public safety	\$ 46,573,569	\$ 50,188,531	\$ 45,781,223	\$ 4,407,308
PUBLIC WORKS				
Department of PW and transportation				
Administration	425,551	406,551	379,852	26,699
Engineering services	1,104,281	966,649	889,032	77,617
Construction & inspections	783,786	910,307	886,995	23,312
County highways	4,564,678	5,640,187	5,631,567	8,620
Recycling	-	-	-	-
St Mary's county airport	126,544	116,111	100,677	15,434
St. Mary's transit system	3,168,530	3,040,159	2,930,319	109,840
Department of PW and transportation	10,173,370	11,079,964	10,818,442	261,522
Total public works	\$ 10,173,370	\$ 11,079,964	\$ 10,818,442	\$ 261,522
HEALTH				
Operating allocation				
Mental Health Authority of St. Mary's	-	-	-	-
Health department	2,283,676	2,289,776	2,289,630	146
Operating allocation	2,283,676	2,289,776	2,289,630	146
Office of the State's Attorney				
Project Graduation	-	-	-	-
Human services				
Human services	71,102	154,781	94,623	60,158
Grants	607,658	321,334	405,463	(84,129)
Human services	678,760	476,115	500,086	(23,971)
Total health	\$ 2,962,436	\$ 2,765,891	\$ 2,789,716	\$ (23,825)
SOCIAL SERVICES				
Department on aging				
Department on aging	\$ 1,953,055	\$ 1,904,865	\$ 1,838,221	\$ 66,644
SMILE/Medical Adult Daycare Subsidies	-	-	-	-
Grants	1,062,105	1,085,405	994,035	91,370
Non Profit Allocation	831,512	831,512	831,512	-
Department on aging	3,846,672	3,821,782	3,663,768	158,014
Department of social services	451,237	451,601	417,572	34,029

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual
 General Fund (continued)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Operating allocation				
Hospice of St. Mary's	-	-	-	-
The ARC of Southern Maryland, Inc.	-	-	-	-
The Center for Family Advocacy	-	-	-	-
The Center for Life Enrichment	-	-	-	-
Greenwell Foundation	-	-	-	-
St. Mary's Caring, Inc.	-	-	-	-
Three Oaks Center	-	-	-	-
Alternatives for Youth/Families, Inc.	-	-	-	-
Tri-County Community Action (SMTCCAC, Inc.)	16,000	16,000	16,000	-
Tri-County Youth Services Bureau	143,600	143,600	143,600	-
Unified Commission for Afro-Americans	-	-	-	-
Walden/Sierra	-	-	-	-
Operating allocation	159,600	159,600	159,600	-
Total social services	\$ 4,457,509	\$ 4,432,983	\$ 4,240,940	\$ 192,043
PRIMARY AND SECONDARY EDUCATION				
Board of Education	103,852,525	104,017,525	104,017,525	-
Non-public school bus transportation	2,344,983	2,344,983	2,222,222	122,761
Operating allocation				
Non Profit Allocation	8,175	25,000	25,000	-
Total primary and secondary education	\$ 106,205,683	\$ 106,387,508	\$ 106,264,747	\$ 122,761
POST-SECONDARY EDUCATION				
College of Southern Maryland - general operations	4,326,961	4,326,961	4,326,962	(1)
Operating allocation				
Southern Md. Higher Education Center	40,000	40,000	40,000	-
Non Profit Allocation	25,000	8,175	8,175	-
Total post-secondary education	\$ 4,391,961	\$ 4,375,136	\$ 4,375,137	\$ (1)
PARKS, RECREATION AND CULTURE				
Department of recreation and parks				
Administration	1,202,087	1,175,587	1,153,068	22,519
Parks maintenance	2,156,478	2,171,683	2,196,132	(24,449)
Museum division	561,720	571,395	555,245	16,150
Recreation Fund Subsidy	-	-	-	-
Non Profit Agency - Miscellaneous	115,842	125,842	125,842	-
Grants	25,000	(180,130)	25,429	(205,559)
Department of recreation and parks	4,061,127	3,864,377	4,055,716	(191,339)
Operating Allocation				
St. Mary's County Historical Society	-	-	-	-
La Familia	-	-	-	-
Patuxent River Naval Air Museum	-	-	-	-
Rotary Club of St. Mary's	-	-	-	-
Boys & Girls Club of Southern Maryland	-	-	-	-
Historic Sotterley, Inc.	-	-	-	-
St. Mary's College River Concert Series	-	-	-	-
SMARTCO	-	-	-	-
Seventh District Optimist	-	-	-	-
Operating allocation	-	-	-	-
Total parks, recreation and culture	\$ 4,061,127	\$ 3,864,377	\$ 4,055,716	\$ (191,339)
LIBRARIES				
County funding - general operations	\$ 2,878,050	\$ 2,878,050	\$ 2,878,050	\$ -
CONSERVATION OF NATURAL RESOURCES				
University of MD Extension-St. Mary's	257,400	240,454	234,208	6,246
Soil Conservation District	77,063	79,663	78,357	1,306
Conservation of natural resources	334,463	320,117	312,565	7,552
Allocation of agriculture and seafood (Division of DED)	257,935	258,535	255,277	3,258
Operating allocation				
SMC Forest Conservation District Board	2,500	2,500	2,500	-
Southern Md. Resource Conservation/Dev.	13,300	13,300	13,300	-
Non-Profit Allocation	30,000	30,000	30,000	-
Operating allocation	45,800	45,800	45,800	-
Total conservation of natural resources	\$ 638,198	\$ 624,452	\$ 613,642	\$ 10,810

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual General Fund (continued) For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Department of economic development				
Administration/office of the director	410,166	410,766	394,430	16,336
Tourism development	430,937	471,668	471,668	-
Agriculture & seafood development	343,913	344,713	340,369	4,344
Less allocation (see above)	(257,935)	(258,535)	(255,277)	(3,258)
Business development	321,483	328,583	305,310	23,273
Non-Profit Allocation	33,580	33,580	33,580	-
Grants	-	-	573,068	(573,068)
Department of economic development	1,282,144	1,330,775	1,863,148	(532,373)
Office of Community Services				
Office of community services	527,958	510,433	496,919	13,514
Human relations commission	1,850	1,850	1,393	457
Commission for the disabled-HR	2,300	2,300	2,075	225
Commission for women	7,000	11,740	11,738	2
	539,108	526,323	512,125	14,198
Operating allocation				
Chamber of Commerce	-	-	-	-
Minority Business Alliance	-	-	-	-
Tri-County Council	94,200	94,200	94,200	-
Operating allocation	94,200	94,200	94,200	-
Total economic development and opportunity	\$ 1,915,452	\$ 1,951,298	\$ 2,469,473	\$ (518,175)
DEBT SERVICE				
Debt service	\$ 11,667,432	\$ 11,667,432	\$ 11,635,436	\$ 31,996
INTER-GOVERNMENTAL				
Leonardtown tax rebate	43,493	43,493	43,493	-
Total inter-governmental	\$ 43,493	\$ 43,493	\$ 43,493	\$ -
OTHER				
Employer contributions-retiree health benefits	3,200,000	3,200,000	3,392,169	(192,169)
Unemployment compensation	35,000	35,000	13,368	21,632
Bank service fees	35,000	35,000	10,192	24,808
Total other	\$ 3,270,000	\$ 3,270,000	\$ 3,415,729	\$ (145,729)
Total expenditures, before pass-throughs	225,315,467	229,007,011	223,269,825	5,737,186
Pass-through expenditures	-	-	-	-
Total expenditures, including pass-throughs	\$ 225,315,467	\$ 229,007,011	\$ 223,269,825	\$ 5,737,186
RESERVES				
Reserve - grants	1,000,000	175,068	-	175,068
Reserve - School Safety	1,000,000	-	-	-
Reserve - bond rating	400,000	400,000	669,697	(269,697)
Reserve - emergency appropriations	500,085	450,012	-	450,012
Reserves	2,900,085	1,025,080	669,697	355,383
Total reserves	\$ 2,900,085	\$ 1,025,080	\$ 669,697	\$ 355,383
Total expenditures, including pass-throughs and reserves	\$ 228,215,552	\$ 230,032,091	\$ 223,939,522	\$ 6,092,569
Transfer				
Capital projects - general fund transfer/pay-go	1,939,891	2,774,891	2,774,891	-
Capital Projects - Reversion of Pay-Go Funds	-	-	-	-
Total expenditures and other financing uses	\$ 230,155,443	\$ 232,806,982	\$ 226,714,413	\$ 6,092,569

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

**Schedule of Unexpended Appropriations for Capital Projects
For the Year Ended June 30, 2019**

LAND PRESERVATION

Agriculture Preservation	\$ 5,312,375	
Rural Legacy Program	3,167,152	
Critical Area Planting	97,524	8,577,051

HIGHWAYS

FDR Blvd. Extended	22,623,197	
Regional Water Quality & Nutrient Removal	2,076,004	
Buck Hewitt Road	1,541,569	
Patuxent Park Neighborhood Preservation	1,527,705	
Asphalt Overlay	741,553	
Buck Hewitt Road - Northside	463,198	
Retrofit Sidewalk Program	351,913	
Roadway Base Widening & Repairs	306,641	
Mattapany Road	250,000	
Roadwork Maintenance - Base	250,000	
Roadway Safety Improvements	207,812	
Roadside Obstacles	161,350	
Essex South Drainage Rehab	100,000	
Bridge/Culvert Replacement	65,924	
Streetscape Improvement	56,061	
Ricky Drive Drainage Improvements	34,063	
Modified Seal Surface Treatment	28	30,757,018

MARINE

Ellis Road Revetment	336,997	
St. Patrick's Creek Maintenance	240,000	
South Sandgates Revetment	160,300	
St. Jerome's Creek Jetties	5,000	742,297

PUBLIC WORKS

Leonardtown Library/Garvey Sr. Center	9,310,651	
Airport Master Plan	6,379,678	
Airport Improvements	5,986,767	
Sheriff District 4 Office	2,984,315	
Adult Detention Center Upgrades	1,038,195	
So MD Higher Education Center Building Thre	1,000,000	
Northern Senior Center Activity Cnt	974,000	
Building Maintenance & Repairs	903,104	
Public Administration Enterprise	864,822	
Charlotte Hall Farmers Market	528,388	
Sheriff District 3 Office	382,888	
Airport Wetlands Mitigation	349,711	
Health Department Renovations	282,000	
800 MHz Radio Enhancement	233,607	
Animal Shelter	224,920	
Energy Efficiency and Conservation	201,758	
Parking and Site Improvements	123,208	
Sheriff Headquarters Study	80,545	
Paging System Enhancement	50,000	
Salt Storage Facility	48,127	
Public Safety Comp. Aided Dispatch	31,504	
CSM Tech Infrastructure Upgrade	16,345	
Armory Renovation Project	11,231	
Navy Museum Buildings B & C Upgrades	7,487	\$ 32,013,251

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

**Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2019**

PIERS AND BOAT RAMPS

St. Inigoes Landing Bulkhead Repl	\$ 242,323	242,323
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PUBLIC SCHOOLS

Park Hall Ele School Roof/HVAC	2,684,953	
Hollywood Ele School Roof/HVAC	2,634,755	
Building Infrastructure	2,189,271	
DSS IT & Warehouse Facility	755,124	
Relocatables for Various Sites	732,441	
Auditorium Lighting Replacement	528,930	
Great HS - Partial Roof Replacement	225,000	
Green Holly Ele School PA	150,980	
Dynard Ele School Roof/HVAC/Emerg Power	145,000	
Site Acquisition - Future Schools	135,487	
Green Holly Ele Switch Gear/HVAC	125,000	
Qualified Zone Academy Bond	59,455	
Fairlead Academy Relocatables	58,749	
Spring Ridge MS Relocatables	42,889	
Piney Point Elementary School Roof Replacem	42,192	
Track Resurfacing	32,303	
Lettie Dent ES Roof Top Unit	12,384	
Fairlead Academy Building	10,104	
Aging School Program	7,133	
High School Science Lab	1,251	10,573,401

RECREATION & PARKS

Three Notch Trail, Phase Seven	5,122,879	
Parks Land Acquisition	1,090,988	
Recreation Facility Improvements	550,619	
Leonardtwn Park	449,221	
St. Clements Isl Mus Remov	207,540	
Snow Hill Property	143,800	
Piney Point Lighthouse Museum	119,366	
Fireman's Heritage Museum	105,000	
Shannon Farm Property	75,000	
Nicolet Park Entrance	14,299	
Chaptico Park - BMX Lights	2,719	7,881,431

SOLID WASTE

Convenience Center Repair	280,000	
Clements Convenience Center	46,706	
Landfill Mitigation	18,628	345,334

Total		<u>\$ 91,132,106</u>
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Form of Opinion of Bond Counsel

[Closing Date]

Commissioners of St. Mary's County
Governmental Center
Leonardtown, Maryland

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Commissioners of St. Mary's County (the "County") of \$30,000,000 general obligation bonds designated "Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2020" (the "Bonds"), which are described as follows:

Dated the date of initial delivery, interest payable semiannually on May 1 and November 1 of each year, beginning November 1, 2020, until maturity or prior redemption; fully registered in form and in the denomination of \$5,000 each or any integral multiple thereof; issued under the provisions of Chapter 96 of the Laws of Maryland of 2013 and Chapter 427 of the Laws of Maryland of 2017 (collectively, the "Acts"); authorized to be issued, sold and delivered by a Resolution adopted by the Board of County Commissioners of St. Mary's County on March 10, 2020 (the "Resolution") and a Bond Order executed and delivered by the County Administrator of the County on April 28, 2020 (the "Bond Order"); and maturing, subject to prior redemption, on such dates, in such amounts, and bearing interest at such rates, as set forth in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to an executed and authenticated Bond which we have examined and Bonds similarly executed and authenticated, it is our opinion under existing law that:

(a) The County is a validly existing body corporate and politic and a political subdivision of the State of Maryland, possessing the authority under the Acts, the Resolution and the Bond Order to issue the Bonds.

(b) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, including the Acts, and the Resolution and Bond Order.

(c) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, payable as to both principal and interest from ad valorem taxes which the County is empowered and directed to levy, without limitation of rate or amount, upon all property subject to taxation by the County.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Resolution, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) Under current law, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not a specific item of tax preference for purposes of the Federal alternative minimum tax. We express no opinion regarding other Federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph (e), we are assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of Federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the County (the “Tax Certificate”) contains covenants (the “Covenants”) under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for Federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for Federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

(f) Under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom.

Our services as Bond Counsel to the County have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

It is to be understood that the rights of any holder of the Bonds and the enforceability of Bonds may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors’ rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

Very truly yours,

McGuireWoods LLP

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of May 12, 2020 (the “Disclosure Agreement”), is executed and delivered by Commissioners of St. Mary’s County (the “County”) in connection with the issuance of \$30,000,000 Commissioners of St. Mary’s County Consolidated Public Improvement Bonds, Series 2020 (the “Bonds”). The County hereby covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders from time to time of the Bonds, including the beneficial owners, and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The County’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chief Financial Officer of the County or his or her designee, or such other person as the County shall designate from time to time.

“Dissemination Agent” shall mean the County or any Dissemination Agent designated in writing by the County.

“EMMA” means the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be specified by the Securities and Exchange Commission from time to time.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as, security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. If the definition of “financial obligation” in the Rule is amended, the same amendment shall be deemed to be made to the definition of Financial Obligation in this Disclosure Agreement, without further action by the County.

“Generally Accepted Accounting Principles” means accounting principles generally accepted in the United States of America as used in the preparation of the financial statements of state and local governmental entities.

“Listed Events” shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, and its successors.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

“Underwriter” shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

SECTION 3. *Scope of Agreement.*

(a) The disclosure obligations under this Disclosure Agreement relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the County.

(b) The County is the only “obligated person” with respect to the Bonds within the meaning of the Rule.

SECTION 4. *Provision of Annual Reports.* The County shall, not later than March 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2020, provide to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB, directly or through an intermediary, an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5

of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report.

SECTION 5. *Content of Annual Reports.* (a) The County's Annual Report shall contain or incorporate by reference the following:

(1) Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles; unless the audited financial statements are not available on or before such date, in which event the County will provide unaudited financial statements within such time period and the audited financial statements will be provided promptly when and if available; and

(2) the financial information and operating data provided in the Official Statement prepared and delivered by the County with respect to the Bonds, presented in the following charts: "General Fund – Summary of Revenues," "Assessed Values and Tax Rates," "Tax Levies and Collections," "General Fund – Statement of Operating Revenues and Expenditures" and "General Fund – Summary of Fund Balance," updated as of a date no earlier than the last day of the immediately preceding fiscal year.

(b) (1) Except as otherwise set forth in this paragraph (b), the presentation of the financial information referred to in paragraph (a) shall be made in accordance with the same Generally Accepted Accounting Principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

(2) The County may make changes to the presentation of the financial information required in paragraph (a) necessitated by changes in Generally Accepted Accounting Principles.

(3) The County may otherwise modify the presentation of the financial information required herein, provided that this Disclosure Agreement is amended in accordance with Section 9 hereof.

SECTION 6. *Reporting of Significant Events.*

(a) This Section 6 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of owners of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall file in a timely manner, not in excess of ten (10) business days after the occurrence of such event, directly or through an intermediary, a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB.

(c) For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(d) The County hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Bonds. Nevertheless, the County intends to provide the Underwriter with complete assistance in complying with the Rule. Therefore, the County covenants to provide notice of all of the above-enumerated events should they occur.

(e) In a timely manner, the County will give notice of any failure to comply with the covenants set forth herein to the MSRB in an electronic format as prescribed by the MSRB.

SECTION 7. *Termination of Reporting Obligation.* The County's obligations under this Disclosure Agreement shall terminate when there are no longer any Bonds outstanding. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 8. *Dissemination Agent.* The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* (a) Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(1) (A) said amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County as an obligated person with respect to the Bonds, or type of business conducted by the County;

(B) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(C) said amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel or by an approving vote of the holders of at least 25% of the outstanding aggregate principal amount of the Bonds; or

(2) the County receives an opinion of nationally recognized bond counsel to the effect that such amendment or waiver is permitted or required by the Rule.

(b) The reasons for any amendment or waiver and the impact of the change in the type of financial information or operating data being provided will be explained in information provided with the annual financial information containing the amended financial information or operating data.

SECTION 10. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Relationship to the Bonds.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach of or failure of the County to comply with this Disclosure Agreement shall not be deemed to be a default or an event of default with respect to the Bonds.

SECTION 12. *Limitation on Remedies and Forum.*

(a) The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the Chief Financial Officer, St. Mary's County Government, 41770 Baldrige Street, Leonardtown, Maryland 20650, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 4 or 5 hereof or a notice of occurrence of a Listed Event.

(b) Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for St. Mary's County, Maryland.

SECTION 13. *Filing with Electronic Municipal Market Access System (EMMA).* Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent (if any), the Underwriter, and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

SECTION 15. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 16. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 17. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 18. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

COMMISSIONERS OF ST. MARY'S COUNTY

By: _____
Chief Financial Officer

NOTICE OF SALE

ST. MARY'S COUNTY, MARYLAND

\$30,000,000*

COMMISSIONERS OF ST. MARY'S COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS, SERIES 2020

Electronic Bids via **PARITY**® will be received for the purchase of the above-captioned issue of general obligation bonds (the "Bonds") of Commissioners of St. Mary's County (the "County") at the office of the Chief Financial Officer of the County, 41770 Baldrige Street, Leonardtown, Maryland 20650, until 11:00 a.m. local time on Tuesday, April 28, 2020.

Dated Date and Interest Payment Dates. The Bonds will be dated their date of initial delivery. Interest on the Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2020, until maturity or prior redemption.

Principal Amounts and Principal Payment Dates. The Bonds will be issued in serial form in the aggregate principal amount of \$30,000,000* and will mature, subject to prior redemption, on May 1 in the following years and in the following principal amounts:

<u>Year of Maturity</u>	<u>Principal Amount*</u>	<u>Year of Maturity</u>	<u>Principal Amount*</u>
2021	\$1,015,000	2031	\$1,590,000
2022	1,035,000	2032	1,620,000
2023	1,085,000	2033	1,655,000
2024	1,140,000	2034	1,690,000
2025	1,200,000	2035	1,730,000
2026	1,260,000	2036	1,770,000
2027	1,320,000	2037	1,810,000
2028	1,385,000	2038	1,855,000
2029	1,455,000	2039	1,905,000
2030	1,530,000	2040	1,950,000

*Preliminary, subject to adjustment as provided herein.

Adjustments. The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to reduction by the County after the receipt of bids for their purchase. The final aggregate principal amount and maturity schedule for the Bonds will be communicated to the successful bidder by 5:00 p.m. local time on the date of sale and will not reduce the aggregate principal amount of the Bonds by more than the premium bid by the successful bidder. The dollar amount bid for principal and any amount bid for premium by the successful bidder will be adjusted proportionately to reflect any reduction in the aggregate principal amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

General Obligations. The Bonds will be the unconditional general obligation of the County and will be issued upon its full faith and credit, which will be irrevocably pledged to the prompt payment of the principal of and interest on the Bonds as the same become due.

Book-Entry System. The Bonds will be issued in fully registered book-entry form and The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. One Bond representing each maturity of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC or with the Bond Registrar to be held under DTC's "FAST" system, provided that if DTC requests, certificated Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

Interest on the Bonds will be payable when due and principal and redemption price of the Bonds will be payable at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC (“Participants”) will be the responsibility of Participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC Participants or persons acting through Participants.

In the event that DTC determines not to continue to act as securities depository for the Bonds or the County determines to discontinue the book-entry system with DTC, and the County does not replace DTC with another securities depository, the County will execute and the Bond Registrar will authenticate and deliver replacement Bonds in certificated form registered in the names of the Participants or, if requested in writing by such Participants, in the names of the beneficial owners of the Bonds. Replacement Bonds issued to Participants or to beneficial owners shall be in authorized denominations and be in fully registered form in substantially the form set forth in the Resolution (defined below).

Authorization and Use of Proceeds. The issuance of the Bonds is authorized by Chapter 96 of the Laws of Maryland of 2013 and Chapter 427 of the Laws of Maryland of 2017 and Resolution No. 2020-05 adopted by the Board of County Commissioners of St. Mary’s County (the “Board”) on March 10, 2020 (the “Resolution”), for the purpose of financing certain public improvements in the County.

Optional Redemption. The Bonds maturing on or before May 1, 2030 are not subject to redemption prior to their maturities. The Bonds maturing on or after May 1, 2031 are subject to redemption prior to their respective maturities, at the option of the County, at any time on or after May 1, 2030, either as a whole or in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The procedures for redemption of the Bonds, including the requirements for giving notice of such redemption, are described in the Preliminary Official Statement (hereinafter defined) and are incorporated herein by reference.

Electronic Bids. Electronic bids will be received via **PARITY®** pursuant to this Notice of Sale until 11:00 a.m. local time on the date of sale, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY®** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY®**, potential bidders may contact **PARITY®** at (212) 849-5021. Bidders may only submit bids electronically via **PARITY®**.

Each prospective bidder shall be solely responsible to submit its bids via **PARITY®** as described herein. Each prospective bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor **PARITY®** shall have any duty or obligation to provide or assure access to **PARITY®** to any prospective bidder, and neither the County nor **PARITY®** shall be responsible for proper operation of, or have any liability for delays or interruptions of, or any damages caused by, **PARITY®**. The County is using **PARITY®** as a communication mechanism, and not as the County’s agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Parameters” set forth herein. All costs and expenses incurred by prospective bidders in connection with their submissions of bids via **PARITY®** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone **PARITY®** at Dalcomp (212) 849-5021 and notify the County’s Financial Advisor, Wye River Group, Incorporated by telephone at (410) 267-8811.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY®**. Bids will be communicated electronically to the County at 11:00 a.m. local time, on April 28, 2020. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **PARITY®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **PARITY®** to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. *For purposes of the electronic bidding process and the time for submitting electronic bids, the time as maintained on **PARITY®** shall constitute the official time.*

Bid Parameters. Each bidder shall submit one bid via **PARITY®** on an “all-or-none” basis. Each bid must specify the amount bid for the Bonds, which shall be not less than 100% of par. Each bid must specify in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 3.00%, or (d) any interest rate that exceeds 5.00%.

By submitting a bid for the Bonds, the bidder agrees, if it is the successful bidder for the Bonds, (1) to provide full and complete pricing information with respect to the Bonds to the County in a timely manner so that the County may fulfill its obligation relating to the delivery of the Official Statement to the purchaser of the Bonds within seven business days following the award, including, without limitation, the offering price(s), interest rate(s), selling compensation, delivery dates and other similar information; (2) to comply with the requirements of SEC Rule 15c2-12 ("Rule 15c2-12"), applicable federal and state securities laws and the applicable rules of the Municipal Securities Rulemaking Board (the "MSRB") in connection with the offer and sale of the Bonds; and (3) within three business days after the final Official Statement becomes available, to cause copies thereof to be filed with the MSRB.

Establishment of Issue Price. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Bond Counsel. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County's financial advisor identified herein and any notice or report to be provided to the County may be provided to the County's financial advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

By submitting a bid, each bidder (i) confirms that its bid is a firm offer for the purchase of the Bonds identified in this Notice of Sale, on the terms set forth in its bid and this Notice of Sale, except as permitted by this Notice of Sale and (ii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

In the event that the competitive sale requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the County determines to apply the hold-the-offering-price rule to any maturity of the Bonds.

Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of

another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date that the Bonds are awarded by the County to the successful bidder.

Award of Bonds. The County will not consider and will reject any bid for the purchase of less than all of the Bonds. THE RIGHT IS RESERVED TO REJECT ANY AND ALL BIDS AND TO WAIVE ANY IRREGULARITY OR NON-CONFORMITY IN ANY BID. Bids will be opened promptly after 11:00 a.m. local time (as determined in accordance with the time as maintained on **PARITY**®) on April 28, 2020. The award, if made, will be made as promptly as possible after the bids are opened to the bidder offering the lowest true interest cost to the County in any legally acceptable bid. The lowest true interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. The TIC shall be as determined by the financial advisor to the County based on the terms of this Notice of Sale and all amendments thereto and on each bid as submitted. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, then such award will be made to the bidder offering the highest premium. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, with the same premium, the Bonds will be awarded by lot to one of such bidders. The judgment of the County shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale.

Good Faith Deposit. A good faith deposit (the “Deposit”) is required in connection with the sale and bid for the Bonds. The Deposit may be provided in the form of (i) a federal funds wire transfer in the amount of \$600,000 to be submitted to the County by the successful bidder not later than 3:00 p.m. local time (the “Deposit Deadline”) on the date of sale or (ii) a financial surety bond (a “Surety Bond”) from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland in the amount of \$600,000, each option as described in more detail below. The Deposit of the successful bidder will be retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages.

If a federal funds wire transfer is used, the County shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County’s right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

If a Surety Bond is used, it must be submitted to the County prior to 5:00 p.m. local time on the day prior to the date for receipt of bids, and must be in form and substance acceptable to the County, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Bonds are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County not later than 12:00 p.m. local time on the next business day following the award in accordance with wire instructions delivered by the County to such bidder. If such Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement.

Postponement of Sale; Change in Bid Parameters. The County reserves the right to postpone, from time to time, the date or time established for the receipt of the bids or to change the bid parameters for the Bonds. Any such postponement or change in bidding constraints will be announced on TM3 News Service by notice given not later than 1:00 p.m. local time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced on TM3 News Service at least 48 hours prior to such alternative sale date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent alternative sale date. On any such alternative sale date, any bidder may submit an electronic bid via **PARITY**® for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced on TM3 News Service at or before the time the sale date and time are announced.

Legal Opinion. The issuance of the Bonds will be subject to delivery of the approving opinion of McGuireWoods LLP, Baltimore, Maryland, and copies of their opinion shall be substantially in the form set forth in the Preliminary Official Statement (hereinafter defined). The opinion will be delivered, without charge, to the successful bidder for the Bonds.

CUSIP Numbers. It is anticipated that the CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Delivery of Bonds. The Bonds will be delivered on May 12, 2020, or as soon as practicable thereafter, at the expense of the County, for the account of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid (including any premium), less the Deposit theretofore made. Payment for the Bonds shall be made in federal funds. The Bonds will be issued by means of book-entry system with no physical distribution of bond certificates made to the public. The successful bidder for the Bonds, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., its partnership nominee.

Closing Documents. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending against the County affecting the validity of the Bonds. It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, such successful bidder shall be furnished a certificate or certificates of the Commissioner President, the County Administrator and the Chief Financial Officer of the County to the effect that, to the best of their knowledge and belief, the Official Statement (hereinafter defined) (and any amendment or supplement thereto) (except for information relating to DTC and its book-entry system and any information furnished by the successful bidder, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as set forth or contemplated in the Official Statement (and any amendment or supplement thereto).

Preliminary Official Statement. The Preliminary Official Statement of the County concerning the Bonds (the “Preliminary Official Statement”) has been “deemed final” by the County as of its date for purposes of Rule 15c2-12 but is subject to revision, amendment and completion in the final Official Statement.

Official Statement. As soon as practicable after the award of the Bonds to the successful bidder therefor on the day of sale, the County will authorize the final Official Statement for the Bonds (the “Official Statement”). By submitting its bid for the Bonds, the successful bidder agrees to provide the County with pricing information and such other information as the County may require in order that the County may provide the successful bidder with a final Official Statement in compliance with Rule 15c2-12. Whether or not any such information is included in the Official Statement (and any amendment or supplement thereto), such successful bidder shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any re-offering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven (7) business days after the award of the Bonds to the successful bidder, the County will deliver to the successful bidder an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement. The successful bidder will also be furnished, without cost, with up to 50 copies of the Official Statement and any amendments or supplements thereto. The successful bidder may obtain additional copies at the successful bidder’s own expense.

The County will undertake to provide the successful bidder with further additional information to be included in the Official Statement, when in the opinion of the County or of Bond Counsel, such additional information constitutes a material change to the Official Statement. The County will take such steps as are necessary to arrange for amending and supplementing the Official Statement in connection with the disclosure of such additional information; provided, however, that the County shall have no obligation to provide such additional information after the date which is 25 days after the “end of the underwriting period,” as such term is defined in Rule 15c2-12.

Continuing Disclosure Agreement. In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which the County will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The Preliminary Official Statement of the County with respect to the Bonds will be supplied to prospective bidders upon request made to the Chief Financial Officer of St. Mary’s County, 41770 Baldrige Street, Leonardtown, Maryland 20650, or from the financial advisor to the County, Wye River Group, Incorporated, 122 Severn Avenue, Annapolis, Maryland 21403 or by telephone (410) 267-8811.

By order of

**COMMISSIONERS OF
ST. MARY’S COUNTY**

\$ _____
Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2020

ISSUE PRICE CERTIFICATE
(Qualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Issuer* means Commissioners of St. Mary's County.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 28, 2020.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as Purchaser

By: _____

Title: _____

Dated: _____, 2020

SCHEDULE A
Expected Offering Prices of the Bonds

SCHEDULE B
Copy of Bid

\$ _____
Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2020

ISSUE PRICE CERTIFICATE
(Nonqualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the 10% Maturities.*** As of the date of this Certificate, for each Maturity of the 10% Maturities Bonds, the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

(a) Each Underwriter offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule B (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule C.

(b) As set forth in the Notice of Sale and bid award, each Underwriter has agreed in writing that, (i) for each Maturity of the Undersold Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would it permit a related party to do so (the "hold-the-price rule") and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-price rule. Pursuant to such agreement, no Underwriter has offered nor sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

3. ***Defined Terms.***

(a) ***10% Maturities*** means those Maturities of the Bonds shown in Schedule A hereto as the "10% Maturities."

(b) ***Issuer*** means Commissioners of St. Mary's County.

(c) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Offering Period*** means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____, 2020), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 28, 2020.

(g) *Substantial Amount* means ten percent (10%).

(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule B hereto as the “Undersold Maturities.”

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as
Purchaser

By: _____
Title: _____

Dated: _____, 2018

SCHEDULE A
Sale Prices of the 10% Maturities

SCHEDULE B
Initial Offering Prices of the Undersold Maturities

SCHEDULE C
Pricing Wire